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ABSTRACT

This book analyzes the responses of five states (Florida, Mississippi, New York, Washington, and Wisconsin) to challenges posed by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to alter state welfare programs and management systems. Using case studies, the book highlights similarities and differences in the states' implementation of welfare reform, within the context of their distinctive historical, political, cultural, economic, and demographic experiences. The following articles are included: "Public Opinion, Political Leadership, and Welfare Reform" (Sarah F. Liebschutz); "Florida Welfare Reform: Cash Assistance as the Least Desirable Resource for Poor Families" (Robert E. Crew, Jr., and Belinda Creel Davis); "To Privatization and Back: Welfare Reform Implementation in Mississippi" (David A. Breaux, Christopher M. Duncan, C. Denise Keller, John C. Morris); "Welfare Reform in New York: A Mixed Laboratory for Change" (Sarah F. Liebschutz); "Washington's WorkFirst Program: Key Policy Challenges" (Janet Looney and Betty Jane Narver); and "Wisconsin Works" (Thomas Kaplan). (KC)

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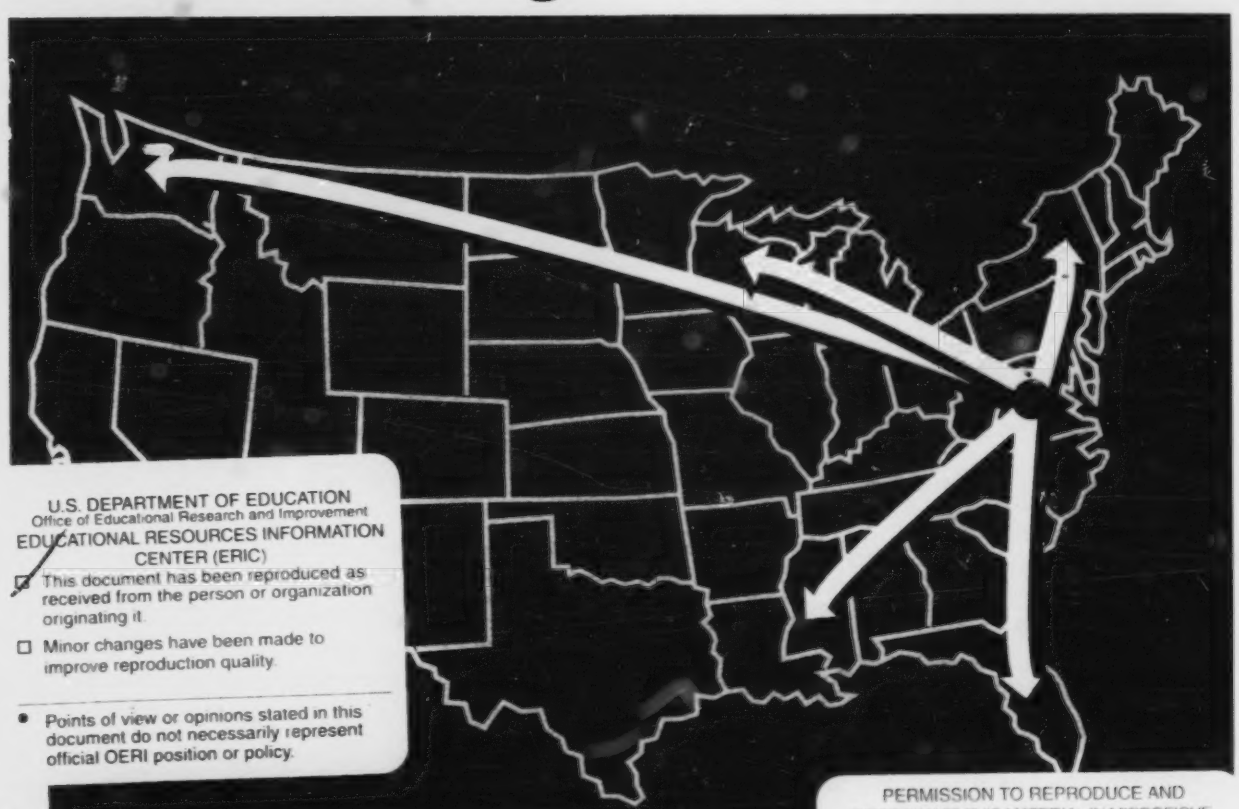
Managing Welfare Reform in Five States

Florida • Mississippi • New York • Washington • Wisconsin

The Challenge of Devolution



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MANAGING WELFARE REFORM IN FIVE STATES

THE CHALLENGE OF DEVOLUTION

Sarah F. Liebschutz
Editor

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Each of the authors of the case studies relied heavily on the willingness of elected and appointed public, nonprofit and private sector officials at state and local levels to discuss their observations of and actions in response to welfare reform. We are very much in their debt for their accessibility and openness as welfare reform was unfolding in their states and localities. We also thank Patricia Gioia for editorial assistance and Michael Cooper, director of the Institute's publications department, for his constructive and efficient direction of the publication process.

Chapter 1

Public Opinion, Political Leadership, and Welfare Reform

Sarah F. Liebschutz

Nearly 2 million — or 44 percent — fewer families in late-1999 were receiving welfare than three years earlier, when the Personal Responsibility and Work Opportunity Reconciliation Act was signed into law. The act, touted as producing a "devolution revolution," terminated the 1935 federal entitlement program for needy families with children — Aid to Families with Dependent Children (AFDC) — and replaced it with a fixed block-grant program — Temporary Assistance for Needy Families (TANF) — to the states.[1] Between the late 1980s and 1996, the American public expressed growing discontent in national surveys with welfare recipients and the programs operating to help them.[2] In 1998, 80 percent of Americans surveyed favored welfare reform. The Personal Responsibility Act and decreases in the welfare rolls subsequent to its enactment, thus, were broadly consistent with public opinion.

These general trends characterize Florida, Mississippi, New York, Washington, and Wisconsin, the five states featured in this book. That is, the average decrease in individual welfare recipients for these five states between August 1996 and September 1999 was 59 percent, with public support for welfare reform generally and for its specific objectives uniformly very high. When the welfare roll decreases are disaggregated, however, it is apparent that the rate of change varies considerably — from 82 percent in Wisconsin to 31 percent in New York. All five states emphasize work first, but have interpreted this emphasis and put it into operation in diverse ways. The organization and management of welfare at both state and local

levels varies widely from state to state. It is the details of work first welfare reform that differentiate the five states from each other.

The broad purpose of this introductory chapter is to demonstrate that there are similarities across states but important differences as well. The similarities center on attitudes of residents toward welfare reform and broad welfare policy emphases in Florida, Mississippi, New York, Washington, and Wisconsin; the differences, on management systems and specific policy choices. There are two possible factors for these differences and similarities: the contribution of strong state labor markets in reducing the welfare caseloads, and political leadership. Political leadership, particularly by governors, is central for understanding the details of welfare implementation and the subsequent decreases in welfare caseloads.

Attitudes Toward Welfare Reform

Public opinion on welfare issues is remarkably similar across the states; thus, it is likely to explain broad trends in welfare reform policies but unlikely to explain important differences in implementation. Responses to questions in a survey sponsored by the W. K. Kellogg Foundation paint a picture of uniformly high levels of public support for welfare reform. The Kellogg survey, the most complete, recent data source for attitudes of Americans toward devolution in general and specific issues of health care and welfare reform, found very few exceptions to this pattern. Telephone interviews of more than 3,400 American households were conducted in November 1998. The Kellogg survey sample was both national and specific to Florida, Mississippi, New York, Washington, and Wisconsin. At least 300 interviews were conducted in each of the five test states.

For the nation as a whole, and for the five states, consistently high support was expressed for welfare reform as a general proposition and in terms of specific objectives. Table 1 shows that four-fifths of the national sample and 75 to 84 percent of residents of the five sample states, in general, supported welfare reform.

Table 1
Attitudes Toward Welfare Reform

Question	*Response*	*FL*	*MI*	*NY*	*WA*	*WI*	*US*
There has been much talk about welfare reform. In general, do you favor or oppose welfare reform?							
	Favor	79%	75%	84%	82%	83%	80%
Do you know whether your state has adopted major welfare reform changes in the past two years or so?							
	Yes*	41%	36%	62%	57%	81%	51%
Compared to two years ago, do you think the number of people in your state receiving welfare has increased, decreased or stayed the same?							
	Decreased*	34%	31%	51%	40%	77%	43%
Some people believe that penalties and time imposed on families by welfare reform will harm children. Do you think this is true or not?							
	Agree	40%	47%	54%	44%	45%	46%
Single mothers who are capable of working should work even if they have young children or other family members to care for.							
	Agree	69%	80%	68%	63%	72%	70%
Who do you think should be responsible for involving people in the process of making decisions about government programs and services: Churches and other non-profit groups who care about particular causes?							
	Agree*	47%	70%	57%	47%	57%	55%
When parents on welfare find work, government should help if their jobs do not pay enough to financially support their children.							
	Agree	77%	78%	85%	76%	79%	77%
Sample Size		300	313	301	349	323	3,451

Source: Questions are selected from Bonney and Co., *The National Devolution Survey Conducted for the W. K. Kellogg Foundation* (Virginia Beach, VA: Bonney and Co., 1999).
Note: * significant at the 1% level

Specific objectives of welfare reform, as displayed in Table 2, were also strongly endorsed across the nation and in the five sample states. Reducing the number of persons on welfare, helping the poor get jobs, and making sure poor children get all the help they need were uniformly perceived as very important. High levels of support were also found for assistance to persons making the transition from welfare to work, particularly child care and heath insurance for workers and their families. Help getting to and from work was regarded as important, though mean responses to that question were lower than for other types of transition assistance. Support for several specific social and behavioral values was also high but not uniform across all values. For example, strengthening families and family values and reducing teen pregnancy were viewed as more important than reducing the number of single mothers. The American public and the residents of these five states were clearly able to differentiate single mothers as a broad category that cuts across socioeconomic lines as well as age line from teen mothers.

Table 2
Attitudes Toward Welfare Reform Objectives
(Mean Scores*)

Question	*FL*	*MI*	*NY*	*WA*	*WI*	*US*
How important is:						
Reducing welfare rolls?	9.2	9.1	8.9	8.8	9.1	9.1
Helping poor get jobs?	9.3	9.4	9.3	9.0	9.4	9.2
Helping poor children?	9.3	9.5	9.6	9.3	9.3	9.4
Helping pay for child care?	8.1	8.2	8.3	8.0	8.0	8.1
Help with health insurance?	8.1	8.2	8.6	8.0	8.2	8.2
Help with transportation?	7.2	7.3	6.8	6.5	6.9	7.0
Strengthening family values?	9.1	9.2	9.0	8.7	9.0	9.0
Reducing teen pregnancy?	8.7	9.3	9.0	8.8	8.9	9.0
Reducing number single mothers?	7.8	8.1	7.7	7.1	7.7	7.7
Sample Size	300	313	301	349	323	3,451

Source: Bonney and Co., *The National Devolution Survey Conducted for the W. K. Kellogg Foundation* (Virginia Beach, VA: Bonney and Co., 1999).
Note: * 1 = not at all important; 10 = very important.

Few exceptions to this pattern involve differences among residents of Florida, Mississippi, New York, Washington, and Wisconsin in general awareness of welfare reform and concern about several program aspects. The widest, statistically significant spread among the states involved awareness of welfare reform at the state level, with a range from four-fifths of Wisconsin residents to slightly more than one-third of Mississippians who said they knew their state had adopted major welfare reform changes in the prior two years, shown in Table 1. Table 1 also shows that more than three-fourths of Wisconsin residents stated that the welfare rolls in their state had decreased between 1996 and 1998, while fewer than one-third of Mississippi residents responded that way. The reality, as discussed below, is that the number of welfare recipients decreased substantially during this time period in all five states.

Variations were also found on other survey questions. Consistent with New York's historical liberalism, New Yorkers were more supportive of government's role to assist the poor and more concerned about the harmful effects of welfare reform on children than were their counterparts in the other states. Mississippians, suspicious, perhaps, of government as a "tool for the support of the upper classes,"[3] ascribed a significantly larger role to churches and nonprofit groups in involving people in the process of making decisions about government programs and services. Mississippi residents also took a much harder line on working by single mothers.

It is important to keep these deviations in perspective. The key point is that the Kellogg-funded devolution survey found, overall, high, consistent levels of support for welfare reform and for its associated objectives in the five study states.

Work First Policy Emphases

A second area of similarity among the five states is a strong emphasis on work. As Richard P. Nathan and Thomas L. Gais have written, "One of the intriguing characteristics of the politics of welfare reform [in the American states] was how little debate it generated over the basic nature and purposes of the affected programs.... The broadest support was for imposing strict and extensive employment obligations on adult recipients of welfare benefits."[4]

Work is the centerpiece of welfare reform in Florida, Mississippi, New York, Washington, and Wisconsin. The similar names of the welfare reform programs in these states make that clear:

- **Work and Gain Economic Self-Sufficiency (WAGES)** in Florida
- **TANF Work Programs (TWP)** in Mississippi
- **New York Works (NY Works)** in New York
- **WorkFirst** in Washington
- **Wisconsin Works (W-2)** in Wisconsin

Not only is employment a central goal of welfare reform, welfare recipients and applicants are expected to search for work and find it quickly. The Personal Responsibility Act requires that parents or caretakers not exempt from the work requirement engage in work, as defined by the state, within two years after they start receiving TANF. Florida, Mississippi, Washington, and Wisconsin exceed this federal provision by stipulating that work be pursued immediately, before job readiness is assessed or education or skill-building services are provided.

In addition to work first, the five states have adopted other common implementation approaches. One is case management, vesting responsibility in one case worker for evaluating client needs, coordinating community resources, and focusing support services directly on TANF recipients. Another is heightened emphasis on collection of child support. All five states have stepped up these efforts; in Wisconsin, child support is passed directly on to the resident parent, whereas in the other states the government retains the child support paid on behalf of a TANF family.[5]

To be sure, there are policy areas where the five states diverge. The key ones involve time limits on TANF benefits and on the amount of benefits. Four states adhere to the national sixty-month limit on receiving TANF cash assistance. Florida's limit is twenty-four months. New York's Safety Net program extends state-local funded assistance beyond the sixty months in certain cases. The family cap is a second policy area where the five states diverge. TANF benefits are "capped" in Florida and Mississippi; that is, additional benefits are denied for a child born to a woman already receiving assistance. New York, Washington, and Wisconsin

do not have family caps. In general, however, policy congruity around work first welfare reform in the five states is striking.

State Management Systems

Public opinion congruities and work first policy similarities do not extend to the structures for management of welfare reform. Differences, particularly at local levels, are more prevalent than similarities. While debates about where to lodge TANF administrative responsibilities in the state government varied, there was a clear consensus within each state that TANF was *not* AFDC in a new guise. All five states reorganized welfare management at the state level. In some cases, as elaborated in the case study chapters, it was a reaction to dissatisfaction with the management and focus of the AFDC program; in others, it was a response to the work first emphasis of TANF.

Regardless of motivation for change or particular form of reorganization, the structure and function of the large social services agency that had major responsibility for AFDC were changed. Table 3 compares AFDC and TANF administrative structures for the five states. At a minimum, as in Mississippi and Washington, the former AFDC agency shares responsibility with a state employment or economic development agency. At a maximum, a new structure — Workforce Florida, Inc., created in 2000 to replace another new structure, the WAGES state board — has completely replaced the former AFDC agency. New York and Wisconsin represent mid-points along the reorganization continuum. New York created two new agencies and shifted welfare management responsibilities from the former Department of Social Services to them and an existing state agency. Wisconsin, in a continuation of restructuring efforts dating back to 1985 involving several state departments, transferred all public assistance functions, except Medicaid, to the newly renamed Department of Workforce Development.

Second Order Management Diversity

Thirty-five American states vested responsibility for all key functions of AFDC implementation — policy making, funding, and administration — in the state government.[6] In the remaining fifteen, the state government assigned responsibility for administration to

Table 3
State-level Administration of TANF

Former AFDC Agency Plus Others:

Mississippi:

Department of Human Services
Department of Economic Development

Washington:

Department of Social and Health Services
Employment Security Department
State Board for Community and Technical Colleges
Department of Trade and Economic Development

Reorganized AFDC Agency:

New York:

Office of Temporary and Disability Assistance {Former Department of Social Services}
Office of Children and Families {Former Department of Social Services}
Department of Labor

Wisconsin:

Department of Workforce Development
{Merger of the former departments of Health and Social Services and Industry, Labor, and Human Relations}

New Agency:

Florida:

Workforce Florida, Inc {Governor's Office}
With oversight over:
Department of Children and Families
Department of Labor

local governments. Regardless of whether the system was state-centered or state-directed and locally administered, welfare reform, following the 1996 Personal Responsibility Act, was "marked by conscious attention to the way program responsibilities should be divvied up, and whether the responsible institutions have the motivations and capacity to change the ways in which welfare is managed"[7] The result in many states was "fundamental shifts in agency assignments." [8]

Three of the five states profiled in this book — Florida, Mississippi, and Washington — have state-centered welfare programs. The others — New York and Wisconsin — have state-directed, locally administered systems. Wisconsin's seventy-two county governments and New York's fifty-seven counties plus New York City are responsible for welfare administration. New York represents a further variation in that local governments share the non-federal costs of welfare with the state government. All five states adopted major structural realignments in response to their new responsibilities and opportunities under TANF.

In fact, although devolution to the states is featured in describing welfare reforms under way, "the real federalism story of welfare reform is *local* [in a] movement [called] *second-order devolution*."[9] Second-order devolution is manifested in two principal ways: heightened discretion for local governments or local offices of state agencies and more extensive, complex, local service provider networks. The two effects are interrelated; decentralization allows flexibility not only in the kinds of services offered to families but also in the ways the services are provided. Power, in other words, need not stop with the local public agency but "may flow to large, diverse networks of public and private organizations."[10]

Use of nonprofit and private agencies as service providers under contract with the public sector is not new, per se. Outsourcing for employment and training services for welfare recipients was a common practice of local governments (in state-directed, locally administered systems) and local units of state agencies (in state-centered systems) in the WIN and JOBS programs. What is different under TANF is the more extensive and more expansive use of nonprofit and private agencies.

Pre-TANF Contracting Experiences

The work incentive program (WIN), first enacted by Congress in 1967, required that employable AFDC recipients work or look for work or face a reduction in their grants. "The authority to judge who was employable . . . was left with local welfare departments. Because it was a time of exploding welfare rolls and liberal politics, the departments referred very few clients to WIN, and most of those who did participate went into education or training rather than jobs."[11] In 1971, Congress conditioned aid for mothers of children six years or older on WIN registration and required participation by at least 15 percent of those eligible.[12] The 1971 legislation, "because of limited funding and a widespread reluctance to enforce work," also had a limited effect on moving welfare recipients to work.[13] In 1981, Congress, responding to a "growing consensus on the need for welfare recipients to work and become more self-supporting. . . gave states a chance to experiment . . . primarily through a new option known as the WIN Demonstration Program."[14] States were given greater flexibility both in the arrangements for and the mix of employment and training services for AFDC recipients.

The Family Support Act of 1988 replaced WIN with the more ambitious Job Opportunities and Basic Skills Program (JOBS). Participation standards were raised by decreasing from six years to three the age of a child exempting the mother and requiring that 20 percent of the employable adults participate in JOBS each month by 1995. AFDC recipients who had not finished high school were required to obtain education or training rather than immediate employment. "Like WIN [however], JOBS had the misfortune to begin during a sharp increase in dependency. Between 1989 and 1994 the AFDC caseload jumped 30 percent. The program was implemented unevenly because a recession crimped state budgets, and many states could not spend enough of their own money on it to draw down all the federal funding allowed to them."[15]

Irrespective of specific legislative requirements or the state of the economy, work-welfare programs at the local level were typically provided by nonprofit and for-profit agencies. The latitude of local governments to contract directly, or at all, with local service providers varied from state to state. In Mississippi and Texas, for example, the responsible state welfare agency contracted directly with public, nonprofit, or for-profit organizations for GED training, job

search, job placement, or case management services under JOBS.[16] In New York and other states, "the state gave considerable discretion [to local governments] to design their JOBS program and contract for services."[17] Thus, depending on the extent of discretion granted them by the state government, many local governments had considerable experience prior to TANF in contracting out and managing the delivery of education, employment, and training services.[18]

TANF Service Arrangements

Under TANF, such experience has been heightened, as local offices "have access to a much wider range of tools and services for assisting families and . . . more discretion in how they use them."[19] The resulting diversity in local systems "has an important effect on how people are treated, and that is influenced by a wide variety of factors, such as administrative resources, organizational styles, and community capacity."[20] For example, Florida and Washington allow greater discretion for local decision making in state-directed systems. As Robert Crew and Belinda Davis discuss, the twenty-four local WAGES coalitions, composed of combinations of counties, have assumed policy making and case management roles previously exercised by Florida state government agencies. Local flexibility was also a focus of Washington's WorkFirst legislation. Janet Looney and Betty Jane Narver note the striking variations in basic services offered clients throughout the state. New York, a state-directed, locally administered system whose local governments have long had considerable job placement discretion represents even more varied management and service arrangements under TANF.

In addition to broadening local services to a wider range of education, employment, and training providers than under WIN or JOBS contracts, services that had been rendered almost exclusively by government agencies under AFDC are now being provided by nonprofit and for-profit organizations. Mississippi and Wisconsin stand out in this regard. Wisconsin, writes Thomas Kaplan, is unique among the states in contracting out the full range of services, including the determination of eligibility and benefits, to private agencies. David Breaux, Christopher Duncan, Denise Keller, and John Morris show that Mississippi not only contracted out case management (for the first time), job training, and job placement

functions under TANF but also allowed regional offices to make contractual arrangements. Within two years, however, "the privatization arrangements became dysfunctional," and the Mississippi Department of Human Services was forced to recapture many welfare system functions initially devolved to the private sector. Table 4 summarizes local variations in the management of welfare reform in the five states — variations, as detailed in the case studies, that are more impressive than similarities.

Table 4
Local Level Implementation

	Public	*Nonprofit*	*For Profit*
Eligibility Determination			
Florida	X		
Mississippi	X		
New York	X		
Washington	X		
Wisconsin	X	X	X
Case Management			
Florida	X	X	X
Mississippi	X	*	*
New York	X		
Washington	X		
Wisconsin	X	X	X
Job Placement			
Florida	X	X	X
Mississippi	X	*	*
New York	X	X	X
Washington	X	X	X
Wisconsin	X	X	X
Transition Supports (Child Care, Food Stamps, Medicaid)			
Florida	X		
Mississippi	X		
New York	X	X	X
Washington	X	X	X
Wisconsin	X	X	X

* = 1997 and 1998 only.

The Economy and Caseload Reduction

Similarities and differences extend beyond management of welfare reform to changes in welfare caseloads. The similarities involve decreased numbers of families and individuals receiving assistance in each state, a trend consistent with the nation as a whole. The differences involve caseload change rates and caseload numbers, which, as elaborated below, differed widely among the five states. Was the common downward trend a function of the strong national economy? That issue is the focus of this section. The question of whether the decrease rate differences are influenced by second-order implementation choices is considered in the following section.

Welfare caseloads in the United States decreased by 51 percent between January 1994 and September 1999, from more than 5 million families receiving AFDC to 2.5 million families receiving TANF. The caseload decline occurred at the same time that the nation was experiencing ongoing economic expansion, better employment opportunities, and higher wages. "Low-wage workers, high school dropouts, blacks, Hispanics, immigrants, younger workers, and single mothers have all enjoyed better labor market outcomes," according to the *1999 Economic Report of the President*.[21] Was the unprecedented family caseload reduction caused by the tight labor market, which made such persons more attractive to employers, even if they had to "expand efforts to invest in and retain" them?[22] The report suggests that the tight labor market explains only a small part of the caseload reduction. According to the Council of Economic Advisors, "an improvement in the labor market . . . explain[s] an [estimated] 8.3 percent drop in welfare case loads. Given that the national welfare case load actually fell by 42.3 percent [between 1994 and 1998], improved labor market conditions were responsible for roughly one-fifth of that decline."[23]

The following figures show that the economies of the five case study states followed patterns roughly similar to that of the nation for 1988-99. Market conditions, indicated by unemployment levels, generally deteriorated between 1988 and 1992 and improved thereafter (Figures 1-6). Estimates of the contribution of improved labor market conditions to welfare caseload decline are not available for the states.

Figure 1
Changes in Numbers of Families Receiving Welfare and Adults Unemployed in the United States, January 1998 to June 1999

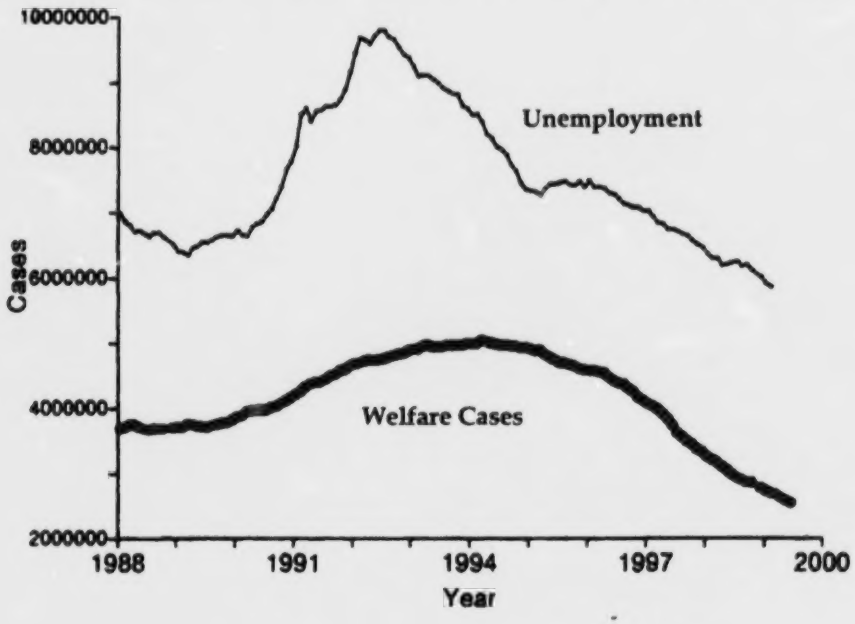


Figure 2
Changes in Numbers of Families Receiving Welfare and Adults Unemployed in Florida, January 1998 to June 1999

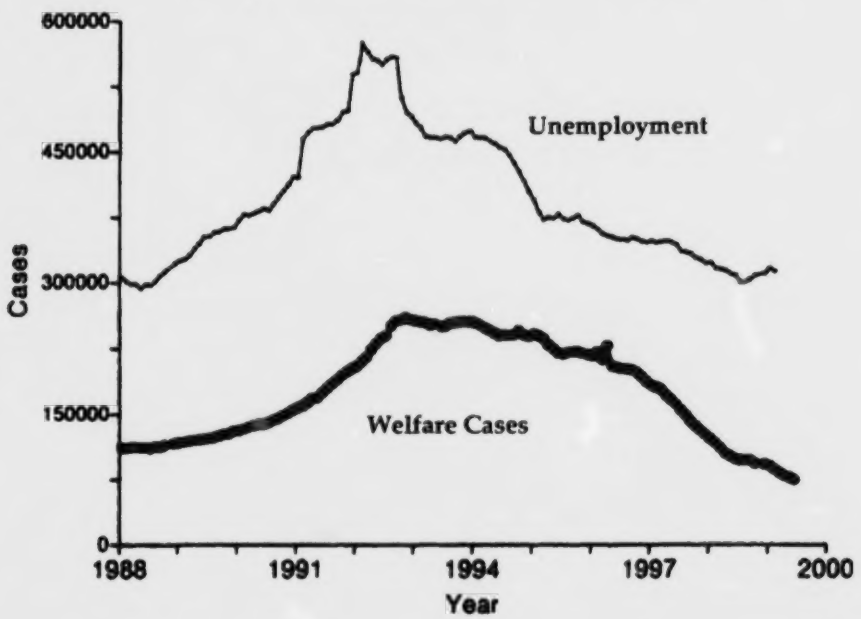


Figure 3
Changes in Numbers of Families Receiving Welfare and Adults Unemployed in Mississippi, January 1998 to June 1999

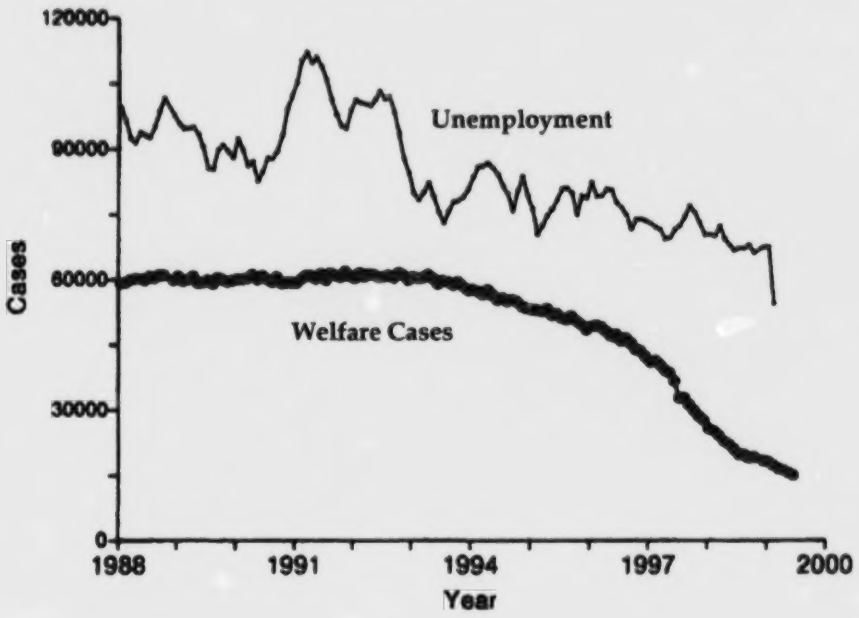


Figure 4
Changes in Numbers of Families Receiving Welfare and Adults Unemployed in New York, January 1998 to June 1999

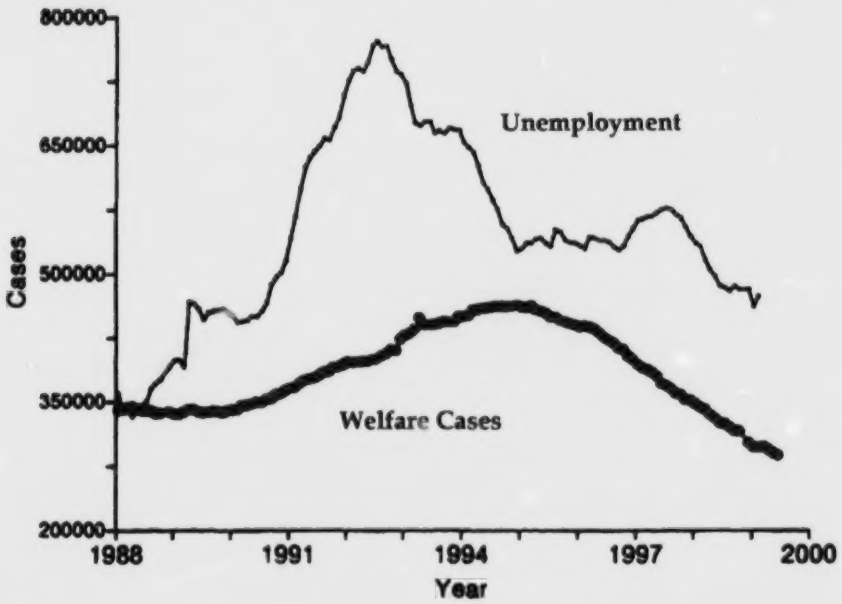


Figure 5
Changes in Numbers of Families Receiving Welfare and Adults Unemployed in Washington, January 1998 to June 1999

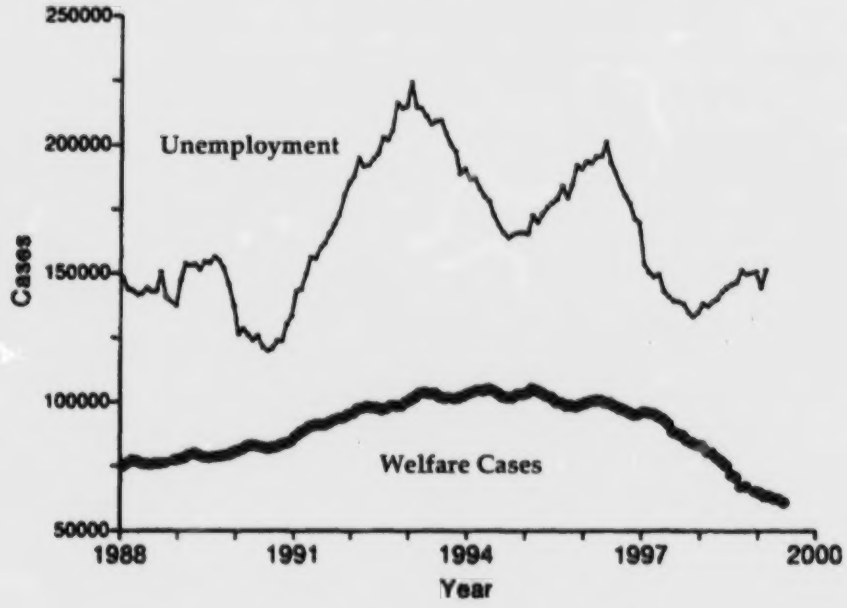
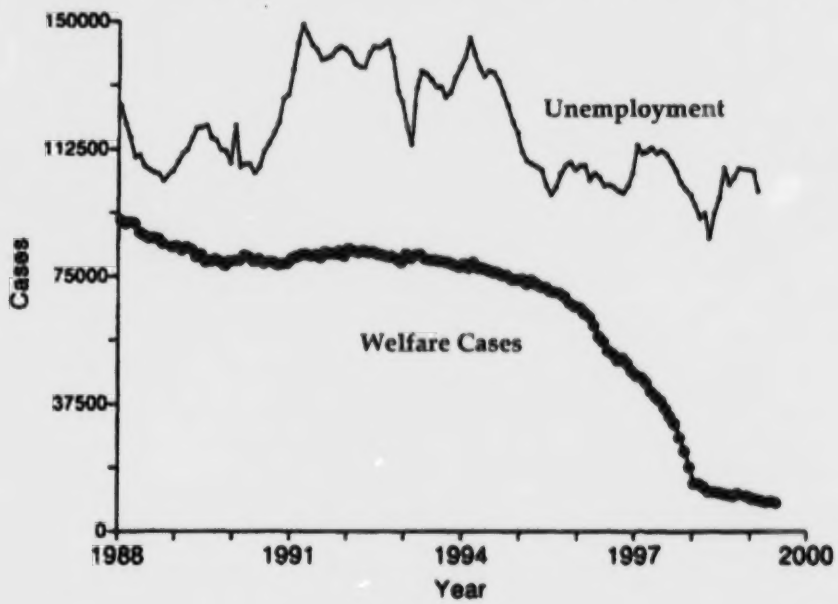


Figure 6
Changes in Numbers of Families Receiving Welfare and Adults Unemployed in Wisconsin, January 1998 to June 1999



Caseload change rates and caseload numbers differed widely among the five states. Table 5 shows that the number of individual TANF recipients decreased by varying amounts and at varying rates between August 1996, when the Personal Responsibility Act was adopted, and June 1999. Wisconsin led the case study states with a decrease of 82 percent, followed by Mississippi and Florida; the rate of decrease was considerably smaller in Washington and New York. Absolute numbers give a perspective of scale. TANF recipients in New York — the largest of the five states — decreased from 1.1 million in 1996 to under 800,000 in 1999; in Mississippi, the smallest, they decreased from 124,000 to 34,000. Combining the perspectives of change rate and absolute numbers, it is apparent that 350,000 fewer welfare recipients in New York over three years (a 31 percent decrease) represented more than twice the number of total welfare recipients in Wisconsin in 1996.

Table 5
Change in TANF Recipients, 1996-1999

State	*August 1996*	*September 1999*	*Percent Change*
Florida	533,801	174,588	-67
Mississippi	123,828	33,911	-73
New York	1,143,962	763,648	-33
Washington	268, 927	160,471	-40
Wisconsin	148,888	23,892	-84

Source: U.S. Department of Health and Human Services, Administration for Children and Families, June 2000.

It is evident that welfare reform affected caseload decline in all five states. Such reform — state waivers before 1996, the Personal Responsibility Act of 1996, and subsequent state welfare reform programs — played a role that was both independent of and complementary to the economic expansion. That dual-faceted contribution can be seen in Figure 1, where the rate of national welfare caseload decline after 1994 exceeded that of national unemployment decline. This pattern of rough but imperfect correspondence between changes in the welfare caseload and unemployment also characterizes the five case study states. For 1996-99, the rate of welfare caseload decline was steeper than for unemployment in Florida, Mississippi, New York, and Wisconsin (Figures 2, 3, 4, and 6). For Washington State, the relationship between caseload decline and unemployment for 1996-1999 was actually inverse, with

caseloads continuing to decline while unemployment edged upward (Figure 5). [24]

If public opinion is largely favorable toward welfare reform, public policies tend to converge around work first, and all states were experiencing economic expansion, why the variations in the management of welfare reform, particularly at the local level? Why the variations in caseload reduction rates? The explanation turns on the critical role played by political leaders, particularly state governors.

Political Leadership

Governors and state legislatures were the key actors in transforming state policy histories and experiences into specific policy and management initiatives in the five case study states. In some states, as already noted, their initiatives were spurred by negative reactions to past dissatisfactions; in others, their initiatives involved small or moderate modifications of past policies. Regardless of policy content, political leadership, particularly that of governors, mattered a great deal. Governors of the five sample states, both Republicans and Democrats, were sensitive to state political and policy contexts. Irrespective of the differences among them in formal institutional powers, these five governors were skillful and successful advocates for their welfare reform initiatives.[25]

The varied shapes of welfare reform in Florida, Mississippi, New York, Washington, and Wisconsin are consistent with American federalism. The basic elements of federalism — "self-rule plus shared rule" — capture the needs of people and polities to "unite for common purposes" and to "remain separate to preserve their respective identities."[26] In the case of welfare reform, congruities in public opinion and work first emphases reflect a common purpose across the states; policy details and management configurations express separate state identities. Such details and configurations were greatly influenced by each state's own recent welfare reform experiences and initiatives. According to Gais and Nathan, the twenty states in the Rockefeller Institute's State Capacity Study crafted their responses to the Personal Responsibility Act more from "an inward focus" rather than from "learning and emulation across the states."[27] There was some "early openness to

other states' programs," they report, "but it tended to contract quickly as each state implemented its own program and focused on its own experiences."[28]

Governor Tommy Thompson, Republican of Wisconsin, is probably best known among the nation's governors as the strong leader of a new course. Thompson's understanding of the Wisconsin political context was honed by twenty years in the state legislature before he became governor in 1986. As Kaplan writes, the lessons he drew from that experience formed the parameters for his welfare-to-work reforms well ahead of other states. Governor Gary Locke, Democrat of Washington, also with many years of state legislative experience, took prior state welfare policies, as well as the legislature's preference for a stricter work-to-welfare approach, into account. Looney and Narver explain how Locke was able to influence the Republican-controlled state legislature to incorporate his own welfare reform priorities within Washington's WorkFirst act. Governor Kirk Fordice, first Republican governor of Mississippi since Reconstruction, sought, and found, allies within the state legislature for strong work first welfare reform legislation. Breaux, Duncan, Keller, and Morris describe how Fordice, elected in 1991, increased direct control over the Mississippi Department of Human Services, and, as a result, was able to move quickly (though ultimately not successfully) to privatize welfare management. Restructuring Florida's Department of Health and Rehabilitative Services was a high priority for Governor Lawton Chiles, Democrat, elected in 1992. Working closely with state legislative leaders, the governor was successful not only in accomplishing that objective but also, as Crew and Davis show, in adopting the WAGES welfare reform program and innovative management structure. Finally, George Pataki, first Republican elected governor of New York in 1994 since Nelson Rockefeller, negotiated long and hard with the state legislature for welfare reform legislation. In the end, NY Works was a blend of the state's historically liberal and newly restrictive policies. Pataki — like his counterparts in Florida and Mississippi — gained approval from the legislature for radical restructuring of state welfare management. All five governors worked closely with their state legislatures to shape the policy details and management configurations of welfare reform. Their strong leadership was critical in determining the path and direction of welfare reform in their states.

Summary and Conclusions

The framework for understanding variations in the implementation of the Personal Responsibility Act of 1996 encompasses three key factors — public opinion, the economy, and political leadership. Each factor was discussed and applied to welfare reform implementation in Florida, Mississippi, New York, Washington, and Wisconsin, the five states featured in this book.

Starting from the premise that "a government . . . to endure . . . needs the ungrudging support of substantial numbers of its people," public opinion was considered first.[29] The 1998 National Devolution Survey conducted for the W. K. Kellogg Foundation found consistently high support for welfare reform, nationally and in the five states featured in this book — particularly for welfare reform that emphasized work first. The Kellogg survey showed some differences across the five states on a few specific welfare reform objectives; the differences paled, however, next to the congruities in public opinion toward welfare reform and its associated objectives.

Consonant with public opinion, all five states adopted welfare reform policies that stress work first. Variations in welfare reform implementation, particularly at the local level, however, are more impressive than similarities. Such variations of second-order devolution are evident in heightened discretion for local governments or local offices of state agencies, and more extensive, more complex, local service provider networks. For those details of work first welfare reform, public opinion is an inexact guide.

The nation and the five case study states all enjoyed ongoing economic expansion, better employment opportunities, and higher wages as the Personal Responsibility Act went into effect. Was the unprecedented caseload reduction more a function of the tight labor market than the welfare reform policies adopted and implemented by the states? Clearly, economic factors eased the process of moving people from welfare to work, but they explain only partially the rapid rate of decrease in the welfare caseloads.

Political leadership matters. The skill with which governors, working with state legislatures, transformed prior state policies and experiences into the policy details and management configurations of welfare reform was demonstrated in all five states. Political

leaders at local levels — directors of regional state agencies, mayors, county executives — then translated those directives in distinctive ways into local services.

The Case Studies

The chapters that follow focus separately on the management of welfare reform in Florida, Mississippi, New York, Washington, and Wisconsin. The case studies are revisions and extensions of papers prepared for five state-level conferences mounted in January 1999 concurrently with a national conference on welfare reform and health care. The conferences were sponsored by the W. K. Kellogg Foundation as part of its Devolution Initiative.

These five chapters demonstrate the major advantage of the case study analytical approach to intergovernmental policies: they provide an in-depth account of welfare reform and its complex workings at state and local levels. The authors based their analyses on field research they prepared during the first round of research for the State Capacity Study of the Rockefeller Institute. The twenty-state study, conducted under the direction of the Institute's Federalism Research Group, used the field network evaluation methodology. This methodology features:

- "a decentralized, grass-roots approach to policy research based on the assumption that researchers closest to the jurisdiction are the most capable of knowing, tapping, and interpreting relevant local policy developments and impact"[30]; and
- a common reporting and analytical format that overcomes the disadvantages of the single case study — "very tentative exploration of a universe [it] cannot fully describe. . . [and inability to] comprehend its own 'position' in the universe — the degree of similarity or difference with other places."[31]

The story of welfare reform in each state is unique, rooted in idiosyncrasies of history, politics, culture, economics, and demography. Florida's WAGES program, adopted unanimously by the Florida state legislature, took root in the state's "moderately conservative political culture." Mississippi's TANF Work Program (TWP)

version of welfare reform was fashioned out of a confluence of new and long-existing factors — the election of the state's first Republican governor since Reconstruction and economic disparities along racial and regional lines. NY Works largely represents continuity of New York's "compassionate" political culture but also contains important departures consistent with the state's "competitive" dimension. The WorkFirst program embodies "a significant shift in philosophy and approach" from AFDC in Washington State, reflecting substantial fluctuations in the state's economy and its politics. Finally, W-2, spearheaded by Wisconsin's governor ten years before the national Personal Responsibility Act, was influenced by lessons from past reform efforts and made possible by changing partisan control of the state government. Although the specific context for welfare reform in each state is distinctive, public support for moving welfare recipients to work forms the common overlay for shaping the contemporary structure and content of welfare reform in all five states.

"I am far from implying," Walter Lippman wrote in 1955, "that the voters are not entitled to the representation of their particular opinions and interests. But their opinions and interests should be taken for what they are and no more. They are not — as such — propositions in the public interest. [They are], rather, the beginning of the argument."[32] Public support for welfare reform is the beginning of the argument. Public opinion sets the boundaries for work first welfare reform policy. Within those boundaries, governors and other political leaders used, and continue to use, the discretion afforded them to make welfare reform a reality. These connections between public opinion, political leadership, and public policy are demonstrated in the chapters that follow.

Notes

1 For a description of TANF, see Irene Lurie, "Temporary Assistance for Needy Families: A Green Light for the States," *Publius* 27 (Spring 1997): 73-87.

2 See Greg M. Shaw, "Public Opinion and Welfare Policies in the American States" (Ph.D. diss., Columbia University, 1997), 23-85.

3 Dale Krane and Stephen D. Shaffer, *Mississippi Government and Politics: Modernizers and Traditionalists* (Lincoln, NE: University of Nebraska Press, 1992), p. 8.

4 Richard P. Nathan and Thomas L. Gais, *Implementing the Personal Responsibility Act of 1996* (Albany, NY: Rockefeller Institute of Government, 1999), p. 8.

5 U.S. Department of Health and Human Services, Office of Child Support Enforcement, *Child Support Report,* December 1997, Washington, DC: Department of Health and Human Services.

6 AFDC was state-administered, in addition, in the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. See "Characteristics of State Plans for Aid to Families with Dependent Children, 1990-1991 edition," Washington, DC: Department for Health and Human Services, Administration for Children and Families, Office of Family Assistance (no date of publication), pp. xi-xiii.

7 Nathan and Gais, p. 12.

8 Ibid., p. 13.

9 Ibid., p. 35.

10 Ibid., p. 39.

11 Lawrence M. Mead, *The New Paternalism: Supervisory Approaches to Poverty* (Washington, DC: Brookings, 1997), p. 43.

12 Ibid.

13 Ibid.

14 Judith M. Gueron, *Reforming Welfare with Work* (New York: Ford Foundation, 1987), p. 13.

15 Ibid., p. 44.

16 Irene Lurie and Jan L. Hagen, *Implementing JOBS: The Initial Design and Structure of Local Programs* (Albany, NY: Rockefeller Institute of Government, 1993), p. 24.

17 Ibid., p. 25.

18 For a description of the variety of state-local programs, see Demitra S. Nightingale and L. C. Burbridge, *The Status of State Work-Welfare Programs in 1986: Implications for Welfare Reform* (Washington, DC: Urban Institute, 1987).

19 Nathan and Gais, p. 6.

20 Ibid.

21 U.S. Council of Economic Advisors, *1999 Economic Report of the President* (Washington, DC: Government Printing Office, February 1999), p. 116.

22 Ibid., p. 119.

23 Ibid.

24 The relationship between unemployment and welfare caseload may well be affected by a timing lag. Hall and Kubiak, for example, found that Arizona's caseload decline lagged slightly behind the state's education in unemployment based on recovery from the recession of the early 1990s. See John Stuart Hall and Gerald J. Kubiak, "Arizona's Welfare Reform Experience: A Rockefeller Report" (Albany, NY: Rockefeller Institute of Government, November 1999).

25 The institutional powers of governor states are scored by Virginia Gray and Herbert Jacob according to tenure potential, appointive power, budgetary power, veto power, and whether the governor is separately elected. On a scale from 1 (low) to 5 (high), the 50 states score from 2.5 to 4.0. The five case study states range from moderate—Florida, Mississippi, and Washington (each 3.0) to moderately strong—Wisconsin (3.5) to strong—New York (4.0). Virginia Gray and Herbert Jacob, *Politics in the American States: A Comparative Analysis* (Washington, DC: CQ Press, 1996), pp. 228-238.

26 Daniel J. Elazar, *Exploring Federalism* (Tuscaloosa, AL: University of Alabama Press, 198), pp. 12, 33.

27 Thomas L. Gais and Richard P. Nathan, " Learning, Emulation, and Adaptation in the American States: The Case of Welfare Reform," paper presented at the Annual Research Conference of the Association for Public Policy Analysis and Management, Washington, DC, November 1999, p. 8.

28 Ibid., p. 4.

29 V. O. Key, Jr., *Public Opinion and American Democracy* (New York: Knopf, 1961), p. 3.

30 John S. Hall and Susan A. MacManus, "Tracking Decisions and Consequences," in Walter Williams, *Studying Implementation: Methodological and Administrative Issues* (Chatham, NJ: Chatham House, 1982), p. 100.

31 Paul R. Dommel and Associates, *Decentralizing Urban Policy: Case Studies in Community Development* (Washington, DC: Brookings, 1982), p. 7.

32 Walter Lippman, *Essays in the Public Philosophy* (Boston: Little, Brown and Company, 1955), pp. 41-42.

Chapter 2

Florida Welfare Reform: Cash Assistance as the Least Desirable Resource for Poor Families

Robert E. Crew, Jr. and Belinda Creel Davis

Florida enacted significant welfare reform legislation in 1996 and again in 2000. The cumulative effect of this legislation was to shift responsibility for assisting Florida's most economically insecure citizens away from state government and onto a new public/private organization organized primarily at the local level.

These reforms also emphasized that cash assistance should be viewed as one of the least desirable resources available to families and should be used only as a last resort. The new strategy is to integrate welfare applicants into the state's workforce development program and to use the resources of that system to divert families at risk of welfare dependency and to help them *and* the working poor keep jobs and advance in the workplace.

This chapter describes the process that led to the changes in Florida's welfare program, identifies the characteristics of the reform law, traces the state's progress in putting the new structure into place, identifies management problems associated with the implementation of the reform, and comments on the implications of the new structure for welfare policy making in Florida.

Changing the Welfare System in Florida: The History

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 required that all states change the ways in which public assistance is provided to citizens. Reform of the welfare system in Florida predated the Personal Responsibility Act by several years. Between 1992 and 1996, a series of initiatives was undertaken to change both the institutional structure by which welfare services were delivered and to introduce new assumptions into the state's welfare policy.

The seed of these efforts was planted in 1992 when newly elected Governor Lawton Chiles, a Democrat, initiated an effort to dismantle the giant Florida Department of Health and Rehabilitative Services (HRS), the agency responsible for managing the state's existing welfare and other social services programs. HRS, reputed to be the largest agency of state government in the nation, had been reformed numerous times over the previous thirty years. In 1990, HRS reflected the view that citizens in need of public assistance could best be served by an agency that "integrated" the multiple necessary services in one place to "create a unified human services system, providing coordination across program areas, decentralization to district levels to move service decisions closer to clients, and flexibility at district and local levels to provide the best arrangements of services for the local area."[1] Despite evidence that this structure was effective in some areas of the state, in 1992 HRS got caught up in the national mania to reinvent government. An easy target because of its size and complexity and because of the ongoing controversy associated with public welfare, HRS became an early focal point of Governor Chiles's reinvention of Florida state government.

While Chiles's early efforts to reform the welfare system in Florida were motivated to a large extent by frustrations regarding service delivery under the AFDC program, they were accompanied by intense interest in, and dissatisfaction with, the underlying philosophy of AFDC, particularly the notion that some citizens had a virtually unlimited right to public assistance. Indeed, there were few defenders of the welfare system among elected officials at the time. Consequently, several pieces of legislation proposing substantial changes in the existing philosophy were introduced in the 1992

legislative session, along with the governor's proposal to reform HRS. Common to these bills was the assumption that the primary goal of welfare reform should be to mold the behavior of welfare recipients toward greater self-sufficiency. Agreement on this position, shaped by the moderately conservative nature of Florida's political culture, was sustained throughout the ensuing four years; it preempted much of the ideologically polarized debate surrounding welfare reform that took place at the national level and in some other states.[2] In general, the debate over welfare reform in Florida can be characterized by its moderation.

Despite agreement on principle, the bills proposed in 1992 to achieve self-sufficiency varied substantially, with some based on incentives and others on sanctions. The governor and legislature, reluctant to approach change in a piecemeal fashion and hampered by the absence of clear information to guide decisions in an emotionally charged atmosphere, agreed to create the Study Commission on Economic Opportunities and Self-Sufficiency. The commission, included in 1992 legislation that also embodied the governor's plan to reorganize the Department of Health and Rehabilitative Services, was directed to "examine and recommend changes to the state's current social welfare, vocational, and educational policies and program" and given a deadline of December 31, 1992, to submit its recommendations. In its final report, the commission advanced the philosophy that "a work/education process must be created from the beginning of the assistance process, offering participants economic and other choices, and, there must be insistence that they assume the responsibility for their future."[3] This report became the starting point for welfare reform in the 1993 legislative session.

The Family Transition Act of 1993

Spurred by the commission report, a number of legislators, both Democrats and Republicans, introduced welfare reform bills in the 1993 session. The legislature, adopting wholeheartedly the philosophy of the commission, and prodded by leaders of both legislative parties and the governor, produced one of the first time-limited AFDC programs in the nation, the Family Transition Act of 1993 (FTA). The FTA, signed into law by Governor Chiles in March 1993, directed Florida to begin comprehensive welfare reform. More specifically, the act required the state government to seek waivers from the federal government to put these reforms into place under the

existing AFDC system and to initiate two pilot reform projects (in Gainsville and Pensacola) that combined a time limit of twenty-four to thirty-six months for welfare benefits with an array of services, requirements, and financial incentives designed to help recipients find and hold jobs. By 1994, the Governor was suggesting in his State of the State address that Florida "sunset AFDC as it exists today within five years."

The Senate Select Committee on Social Services Reform and WAGES

Preliminary results from the implementation of the Family Transition Act of 1993 began to emerge in early 1995. They showed that work requirements and time limits did not necessarily devastate low income families.[4] These findings convinced Governor Chiles that meaningful changes in the structure of welfare policy could be achieved without many of the associated negative consequences often suggested by liberals. He then included provision for substantial welfare reform in his 1996 budget. Thus, the FSA of 1993 structured the state's welfare debate and, to a very great extent, made reform possible in the 1996 legislative session.

The legislative lead was taken by the state senate and carried out in a senate select committee on social services reform chaired by new senate president Toni Jennings. The select committee was informed by testimony from a variety of experts throughout 1995 and by its participation in a November 1995 Florida Welfare Reform Conference in Tallahassee. The conference easily reached agreement on the underlying philosophy that "the thrust of welfare reform is to change a program that emphasizes payment of entitlement benefits to a program that encourages work and family responsibility."[5] That philosophy was the basis of the Work and Gain Economic Self-Sufficiency (WAGES) legislation that passed the Florida state legislature by unanimous vote — a remarkable accomplishment for an issue that had been a bedrock divide for political parties in the United States for nearly half a century. Signed into law on May 16, 1996, by Governor Chiles, WAGES was Florida's anticipatory response to national welfare reform, the Personal Responsibility Act, signed by President Clinton in August 1996.

The Initial Response to the Personal Responsibility Act: WAGES

The WAGES act gave primary responsibility for the implementation of welfare reform to three existing state agencies and a new organization. The existing state agencies were the Department of Children and Families, the Department of Labor and Employment Security, and the Department of Health. The new organization, the WAGES State Board, was designed as a partnership between the public and the private sectors. The WAGES board, located administratively in the Executive Office of the Governor, oversees state agencies in the implementation of the Temporary Assistance for Needy Families (TANF) program. Other state agencies — the Department of Revenue, the Department of Education, the Department of Community Affairs, and Enterprise Florida, the public-private partnership that oversees state workforce development activities — were also brought into the system, but with more limited roles.

To provide flexibility in dealing with disparate local economies and diverse local needs, the WAGES board chartered twenty-four local multicounty WAGES coalitions. These coalitions were organized geographically around the requirements of the state Workforce Development Act, which relied heavily on the state's community colleges and, therefore, used the community college districts as the basis for organization. At the local level, these coalitions have taken on the role of policy making and case management heretofore played by Florida state agencies. They are responsible for planning and coordinating the delivery of local services designed to help participants remove barriers to employment and end reliance on welfare.

The administrators charged with implementing the new WAGES system were provided virtually no planning time. The Florida plan was submitted on September 20, 1996, to the U.S. Department of Health and Human Services, and program implementation began less than two weeks later, on October 1. Thus, the WAGES board, the Department of Children and Families, and the Department of Labor had to build the program's infrastructure and begin delivery of services simultaneously. Moreover, these activities occurred as the clock was ticking on client eligibility. As might be expected, several problems slowed implementation:

- delays associated with the creation of new organizational structures, specifically the WAGES coalitions
- issues associated with the integration of the activities of the participating organizations into an identifiable management system
- information system difficulties.

Creating the Local WAGES Structure

An innovative feature of Florida's welfare reform structure was the state WAGES board and the twenty-four local WAGES coalitions. These organizations were designed to provide policy direction and oversight to the state agencies involved in welfare reform and, in the case of the local WAGES coalitions, to deliver services at the local level. As is the case with any new organizational structure, the establishment of WAGES was characterized by problems, which were particularly acute for the local WAGES coalitions.

The local component of the WAGES structure was expected by the Florida legislature to combine, under the overall management of the state's welfare program, private sector expertise with existing federal-state job placement and training operations, such as under the Job Training Partnership Act. Each coalition was required to create an eleven-person governing board, with at least half the members from the business community. To ensure the involvement of existing employment-related activities, the local coalitions were given three options in constituting their boards:

- the combined model, integrating into one board the local WAGES coalition, existing Workforce Development, and Jobs and Education Partnership (JEP) boards
- the blended model, with the local WAGES coalition board a subgroup of the JEP board and with added members to meet representation and diversity requirements of the WAGES act
- the coordinated model, a completely separate WAGES board that would coordinate with the JEP board.

After creating the governing structure, local WAGES coalitions were required to choose an "administrative entity" as a fiscal agent; either provide or arrange for client case management; and procure or provide the services necessary for WAGES participants to progress toward self-sufficiency.

The management challenges associated with meeting these mandates were not trivial. The problems were those usually associated with program start-up, that is, disagreement over the appropriate governing model and the choice of an administrative entity, creation of fiscal and accounting systems, selection of organizations responsible for case management, and selection and hiring of staff. As the local WAGES coalitions were unsure of their status in the state's personnel system (and whether their employees could participate in state retirement programs), staff selection was a particularly thorny problem.

Resolution of these issues took time and yielded a variety of local service delivery systems. Some local WAGES coalition activities are managed by local community colleges, others by staff of existing Workforce Development boards. Some are directed by not-for-profit organizations, still others by private entities. The net result is an unusual combination of resources enlisted in the reform of Florida's welfare system.

The resolution of these issues did not bring closure to all the management problems associated with creating the welfare reform implementation structure. Even after governance structures were selected and decisions made about administrative entities, most local coalitions lagged in organizing themselves for work. Part of the problem was that the legislature provided no funds for the start-up and, in particular, for the development of the plans to ensure the receipt of operational and programmatic funds. In a curious catch-22 situation, the local coalitions were required to submit strategic and organizational plans to the state WAGES board in order to receive the funds necessary to organize themselves, develop the plans, and begin program implementation. As a result, plan submissions and approvals continued well past the original deadlines. In September 1997, eight of the twenty-four plans were still not approved, with two not fully approved by October of that year, one full year after the passage of Florida's welfare reform legislation. The local coalitions did not provide services until July 1997, and two coalitions did not become operational until December 1997.

These start-up delays had profound implications for individuals seeking assistance under the WAGES program. Florida's welfare reform law provides such assistance for a period of no more than twenty-four cumulative months in any consecutive sixty-month period and for not more than a lifetime cumulative total of forty-eight months (for adults). For those enrolled in the welfare program when the law took effect, the clock was ticking — the months starting from October 1, 1996, for which they drew benefits counted against their eligibility. However, in the absence of mechanisms to help them to become self-sufficient, some were ill prepared to meet the work requirements of the new law; they expressed frustration that assistance that might have permitted them to move off welfare at an earlier stage and thus conserve their eligibility was not made available to them.

This problem was ultimately resolved, with rumblings of legal action swirling about, through the use of the hardship exemption clause in the WAGES act. The WAGES program utilized this clause extensively — particularly in areas that lagged in creating operational coalitions — to extend the eligibility of persons who had been denied access to necessary services.

Integrating the Activities of Separate Agencies to Achieve Welfare Reform

A distinctive feature of welfare reform in Florida is the extent to which the state tried to merge job creation and job placement activities for welfare and nonwelfare recipients and to enlist the resources of multiple public and private organizations. To emphasize the importance of working, both as a condition of receiving welfare benefits and as an ultimate goal of welfare reform, and to draw upon the expertise of existing state-sponsored job placement services, Florida's WAGES act initially required the state departments of Labor and Employment Security, and Children and Family Services to coordinate and even merge their activities in a number of ways. In addition, since federal funds for TANF cash assistance to clients and for TANF administration were funneled through these two agencies, some administrative interaction was essential.

The Florida welfare reform legislation also stipulated the involvement of other state agencies and organizations — the

Department of Health, the Department of Education, Enterprise Florida, and others — to assist welfare recipients to make the transition from welfare to work. The integration of the activities of these multiple organizations created additional management challenges for the state WAGES board and others involved in welfare reform in Florida.

The first challenge was to create a system by which applicants for cash assistance could be brought quickly into contact with agencies or organizations with resources to provide job placement assistance. Originally, applicants seeking cash from Children and Family Services were required to first register with the Jobs and Benefits offices of the Department of Labor. After job registration and subsequent certification of eligibility by Children and Families, applicants were to return to Jobs and Benefits for a six-week period of job preparation activities like those provided any unemployed persons seeking assistance from Jobs and Benefits. At the end of this six weeks, WAGES participants who had not found employment would be referred to the local WAGES coalitions for more intensive, "deep end" services. Throughout this period and for the duration of client eligibility, the Department of Children and Families was responsible for determining eligibility and providing cash assistance, food stamps, Medicaid, and child care for welfare clients.

This seemingly straightforward process generated many implementation problems. Administratively, the process was hampered by delays in the formation of the WAGES coalitions and the difficulties encountered by the Department of Labor in assimilating large numbers of welfare clients under procedures designed to assist only nonwelfare recipients seeking employment assistance. Many of these local offices, given minimal additional resources, were overwhelmed by the increase in numbers. Additionally, the one-stop centers, intended as the coordination mechanism for multiple agencies delivering services to welfare clients, were slow to materialize.

Rivalries and tensions over provision of local services between Jobs and Benefits offices of the Department of Labor and WAGES coalitions became particularly acrimonious. Both were under intense pressure to find employment for persons seeking to meet the new work requirements of the WAGES act. Both tried to take credit for their activities and to deflect blame. Jobs and Benefits publicized, in "report cards," that the job placements made by

their offices far exceeded those made by the local WAGES coalitions. The coalitions countered that Jobs and Benefits offices were finding positions for easier-to-place clients who did not need substantial, deep end services. Jobs and Benefits responded that it was the responsibility of the coalitions to provide deep end services, that many coalitions were not operational and were therefore unable to provide any services at all, and that this task was, by default, falling to Jobs and Benefits offices inadequately prepared to meet the demands.

All of these matters led to debates in the Florida legislature in 1998 about the organization of WAGES and the state's welfare reform strategy. The result was a major revision of the WAGES act by the state legislature in May 1998. Local Jobs and Benefits offices were no longer responsible for job search and placement of TANF recipients. Local WAGES coalitions were vested with complete authority for ensuring that persons seeking WAGES assistance met program responsibilities and were provided necessary assistance to move from welfare to work. Once an applicant for cash assistance was determined eligible by the Department of Children and Families, the local WAGES coalitions were charged with assisting that person to meet the work requirements of the WAGES act.

Despite resolution of this particular issue, disagreement and confusion about appropriate institutional roles continued; this was not unexpected, given the large number of state and federal agencies involved in the WAGES program and its decentralized management structure. Questions regarding responsibility for performance standards, for procurement, for quality assurance and monitoring, for cash management and audit, for contracting, and for expense and cash management remained. To address these issues and to further clarify the program's management, the WAGES board and the Department of Labor initiated a process in the summer of 1998 to design a more self-conscious, collaborative management system. The two agencies approved the concept in December 1998. Sixteen sub-components essential for successful management of the WAGES program, including policy development and planning, compliance monitoring, and quality assurance, were subsequently identified by teams from the involved agencies. As the teams complete their work, the end products will be submitted to the state WAGES board for approval. In this manner, the WAGES board seeks to develop a mechanism for executing the legal directive for collaborative management of the WAGES program.

Information System Issues

The federal Personal Responsibility Act, with its mandate that persons receiving cash assistance work in exchange for such aid, created new demands on all state information systems. These systems had been designed, in large part, to report compliance and error rates to the federal government. Under federal welfare reform, they were asked to provide data for case management purposes — tracking the progress of participants in gaining employment and managing the delivery of services to assist them in becoming self-sufficient. In Florida, these data were also to be made available, on an interactive basis, to the twenty-four local WAGES coalitions.

Florida first revamped its information system by merging into a WAGES Information System participant eligibility data from the FLORIDA system managed by the Department of Children and Families, with work participation rates and other employment data from the Department of Labor.[6] While the WAGES Information System was quite successful at meeting the federal government's reporting requirements on welfare reform, local coalitions claimed that it was inadequate for local organizations to track and monitor the progress of individuals through local procedures. Many states faced this challenge, but debate in Florida over its resolution was intense.

In part, the difficulties reflected the inexperience of local coalition workers with management information systems in general and with the WAGES system. Local managers claimed that the WAGES system did not collect some of the information needed for good case management, did not code data in a manner that was useful to local case managers, and did not provide the flexibility needed by local workers to keep track of and assist participants.

Although Department of Labor officials, who were responsible for the WAGES system, disputed these claims, the WAGES board moved to satisfy local demands for case management systems. Two consulting companies were hired to develop pilot case management systems that can be uploaded into the WAGES system, since the Department of Labor continues to utilize the WAGES system to meet its other federal reporting requirements. The plan was to choose the best of these systems for use by all the local coalitions. When completed, this system will be managed by yet another Florida state

agency, the Department of Management Services, adding to the mix of organizations responsible for the administration of welfare reform in Florida. In the interim, the WAGES and the FLORIDA systems provided information for case management purposes.

As the WAGES board moved into its third year of operation, it paid increased attention to the utilization of performance data for management purposes and — to gain insight into the circumstances of those who have been touched by the program — to surveys of both WAGES participants and those who have left the program. Six performance criteria were developed, and periodic reports were generated using empirical data from the WAGES and the FLORIDA systems to evaluate the progress of each of the twenty-four coalitions. The performance criteria were:

- participation rate — the state and all local coalitions must engage WAGES participants in work activities as defined by federal and Florida law
- closures — the state and local coalitions must maximize the number of case closures due to personal earnings
- recidivism — the state and local coalitions must minimize the number of formerly employed WAGES participants who return to cash assistance
- earnings at placement — participants will be placed in jobs that offer the highest possible level of quarterly earnings relative to local economic conditions
- employment retention — participants will maintain initial earnings over a twenty-four-month period after placement
- earnings gain — participants will achieve economic self-sufficiency within a twenty-four-month period relative to local economic conditions.

The July 1999 report based on these criteria showed substantial variation across the local coalitions and an inability on the part of the state as a whole to meet many of the standards it set for itself. For example, participation rate scores — 32 percent for the state as a whole — ranged from 46 percent to 21 percent among the local coalitions. The July performance report noted "the sustained increase for two consecutive quarters is positive news, but the statewide rate

and half of the coalitions [is] still below the federally mandated rate of 35%."

The state WAGES board has also supported several surveys of WAGES participants. They included separate projects designed to:

- identify problems associated with the use of child care
- examine effects on individuals of the imposition of sanctions
- assess the circumstances of persons who left the WAGES program during its first two years with a one-year follow-up of these same individuals.

The results of all of these projects are to be used to guide WAGES board decisions. Those responsible for managing welfare reform in Florida have sought, in these ways, to exert control over the implementation process.

Early Results from WAGES and Subsequent Reform

Early Results from WAGES

By 1999, the early results of welfare reform in Florida were becoming clear. These results matched others throughout the nation: (1) caseloads were dropping dramatically — in Florida the decline between October, 1996 and October, 1999 was 75%; (2) large numbers of those leaving the welfare rolls were gaining employment; but (3) the vast majority were employed in low-wage, part-time jobs that did not provide benefits.[7] As of January 2000 fewer than 38,000 Florida families that contained an able-bodied adult were receiving cash assistance. More than 54 percent earned less than $6.99 per hour in wages.

These results coincided with increasing concern about the disconnect between the state's workforce system and its development strategy. As stated in the report of an influential Select Committee on Workforce Innovation created by the president of the state senate, the "workforce development system was not producing

potential employees who were prepared to meet the current and future needs of Florida's employees."[8]

By the time that the 2000 legislature convened, attention to this issue became the first priority of the Florida Chamber of Commerce, now the dominant interest in the Republican controlled legislature. Thus Senate President Toni Jennings, a leader in the effort to create the WAGES program, created the Senate Select Committee on Workforce Innovation and charged it to "develop legislation creating a statewide integrated workforce system including school-to-work, welfare-to-work and high skill/high wage."[9]

Workforce Florida, Inc.

Meeting throughout the Fall of 1999, the Select Committee issued a final report in January, 2000. The recommendations contained in the report were adopted in the waning days of the 2000 session with few changes. Taken together they created a new system of workforce development in the state that brought welfare clients into an integrated state workforce organization whose goals were to:

- create an environment in which Florida families can achieve self-sufficiency through employment;
- enable Florida employees to meet their needs for qualified, motivated employees; and
- encourage the continued growth of Florida's economy by developing and retaining a highly skilled and flexible workforce.

To achieve these goals, the Workforce Innovation Act of 2000 consolidated administration of all Florida workforce programs into a single entity at the state level. Workforce Florida, Inc. replaced the state's Workforce Development Board and the State WAGES Board as the organization responsible for policy accountability. This entity, like the State WAGES Board, was established as a public/private organization reporting to the governor. Regional workforce boards and local WAGES coalitions were also consolidated and made responsible for policy and implementation at the local level.

The act also created the Agency for Workforce Innovation to deliver workforce, WAGES, and employment services. This agency

was placed in the state's Department of Management Services and was staffed by transferring workforce and unemployment compensation personnel from the state's Department of Labor. (The Department of Labor was essentially abolished.) Responsibility for determining eligibility for cash assistance and accountability for this assistance was retained by the state's Department of Children and Families. But all former WAGES workforce services, including employment-related diversions, services, employment support services and transition services were transferred to the Agency for Workforce Innovation.

In order to streamline access by welfare clients and others seeking workforce services in the state, the Workforce Innovation Act attempted to integrate the co-located services provided at local "one-stop" career centers by developing unified information systems, common intake and case management systems, and by establishing integrated performance and financial accountability systems. Ten million dollars was provided to create the information system.

Finally, illustrating the state's uncritical acceptance of the private sector as *the* source of management expertise, the act required that privately owned staffing service agencies be used in the state's job placement programs and to assist unemployed job seekers in achieving economic self-sufficiency. These agencies were to be provided access to one-stop center databases and regional workforce boards were to use staffing assistance firms as "a resource for assisting individuals to build a work history and to enhance work skills."[10]

Conclusions

Both of Florida's plans for meeting the requirements of the Personal Responsibility Act of 1996 created highly decentralized systems of service delivery managed by locally constituted and controlled boards. These plans also attempted to integrate the activities of multiple state agencies and other public and private organizations on behalf of welfare recipients. Both of these tasks were ambitious.

In establishing these reformed systems, participants faced the usual problems associated with the creation of new organizations

and of integrating the activities of agencies with different missions. In the initial phase of the reform , these problems delayed the provision of services to many participants. Further, despite impressive declines in the state's welfare caseload, few welfare recipients attribute their success in the job market to the activities of the WAGES organization[11] and few have achieved economic self-sufficiency. The latest reform places more emphasis on integrating welfare clients into the state's workforce development system with the expectation that this strategy will create "an environment in which Florida families can achieve self-sufficiency through employment" (Select Committee, 2000). The success of this latest strategy awaits implementation and test.

There is little doubt, however, that the reform has fundamentally changed the locus of decision making in the arena of welfare policy in Florida. The traditional prism for viewing public policy making is an "iron triangle," consisting of members of the state legislative committees and subcommittees responsible for specific areas of public policy; interest groups most concerned with these areas; and government agencies responsible for their administration. Thus, in the past, welfare policy for Florida was largely made by members of the Florida legislature who sat on the house and senate committees charged with oversight for public welfare, by interest groups most concerned with welfare policy, and by representatives of the Department of Children and Families and its predecessor agencies. The decisions were made, in large part, in Tallahassee, the state capital.

The iron triangle is no longer an accurate characterization of welfare policy decision making in Florida. The arena within which welfare policy is made has been enlarged, with many important decisions now emanating from the local level. Moreover, the agency of government leg of the iron triangle has been altered. No longer is the Department of Children and Families the sole administrative entity for welfare policy in Florida. As a result of the reforms enacted in 1997, 1998, and 2000, multiple agencies of government, at multiple levels, are now involved. The critical question now, four years after enactment of welfare reform, is "To what effect?"

Notes

1 Allen Imershein, "Reforming Rhetoric: HRS Reorganization Reviewed," *Governing Florida* 4 (Fall/Winter 1993).

2 Robert E. Crew, Jr., "The Political Environment," In Richard Chackerian, ed., *The Florida Public Policy Management System* (Dubuque, Iowa: Kendall/Hunt, 1998).

3 Florida Department of Health and Rehabilitative Services, *Study Commission on Employment Opportunities and Self-Sufficiency* (Tallahassee, Florida: DHRS, December 31, 1992).

4 Dan Bloom, *The Family Transition Program: An Early Implementation Report on Florida's Time Limited Welfare Initiative* (New York: Manpower Demonstration Research Corporation, 1995).

5 Conference Committee on Welfare Reform, *Committee on Commerce and Economic Opportunity, the Florida Senate* (Tallahassee, Florida: Conference Committee, 1996).

6 The FLORIDA (Florida on-line Recipient Integrated Data Access) system is a multi-agency partnership to determine eligibility for and tracking of child support, Medicaid, food stamps, and cash assistance.

7 Florida Department of Children and Families, 2000; Robert E. Crew, Jr., and Joe Eyerman, *After Leaving WAGES* (Tallahassee, Florida: College of Social Sciences, State University, 1998); Robert E. Crew, Jr., Steve McDonald, and Johnny Johnson, *Following WAGES Clients Over Time* (Tallahassee, College of Social Sciences, Florida State University, 2000); Robert E. Crew, Jr., Joe Eyerman, Justin Graham, and Nancy McMillan, *Tracking the Outcomes of Welfare Reform in Florida for Three Groups of People* (Tallahassee, College of Social Sciences, Florida State University, 2000).

8 Senate Select Committee on Workforce Innovation, *Final Report* (Tallahassee: Florida State Senate, 2000), p. 4.

9 Ibid, p. 1.

10 Ibid, p. 28.

11 Crew, Eyerman, Graham, and McMillan, pp. 2-5; 21-23.

Chapter 3

To Privatization and Back: Welfare Reform Implementation in Mississippi

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Welfare reform in Mississippi is the story of political and administrative expediency against a background of race, political culture, party politics, conservative political values, and conflict over the role of the state in welfare programs. Mississippi was in the first echelon of states to reject the Great Society conception of public assistance and one of the first to seek alternative policy instruments and administrative arrangements to provide welfare services. Mississippi was also able to combine welfare reform with a more general move toward the use of the private sector to reduce the scope and role of government. While there is still considerable support for privatization, pressing administrative and implementation issues ultimately compelled the state to recapture many welfare system functions initially devolved to the private sector. This chapter examines all of these broad themes.

Work First: Background

In 1991, Mississippi elected Kirk Fordice its first Republican governor since 1874. Among the most important factors contributing to the Fordice victory was his promise to reform welfare in Mississippi. A staunch conservative, Fordice began pushing reform legislation immediately after his election. As Mississippi is a

weak-governor state, Fordice needed strong support for his initiatives from the state legislature.[1] He found two solid allies in state senators Mike Gunn and Richard White. Although Gunn and White co-sponsored what they called a "work-for-welfare" bill, it was the controversial and outspoken Senator Gunn who was most closely associated with the reform legislation. Mike Gunn had previously gained national prominence because of his close relationship to the ex-Klansman David Duke in Duke's campaigns for president in 1988 and 1992. Although Governor Fordice's public persona was neither as fervent or polarizing as Gunn's, his ideological orientation and vision regarding welfare reform were more or less consonant with those of the senator. Gunn's approach, and his identification with the 1992 welfare reform legislation, proved to be its undoing in that legislative session; it did, however, provide the foundation for reform measures that followed in 1993-94.

Gunn's 1992 bill, self-styled "pro-family" legislation, included such controversial elements as implanting female Aid to Families with Dependent Children (AFDC) recipients who had four or more children with the birth control drug Norplant, linking welfare payments to the school attendance and grades of children in a household, prohibiting increased benefits for recipients who became pregnant while on welfare, random drug testing, mandatory job hunts, and thousand-dollar "rewards" to women who married and left the welfare rolls. These "pro-family" provisions, together with Gunn's frequent public diatribes, produced significant backlash in the community and within the legislature. Groups like the Sisters of Mercy Health Advocacy Program, the Center for Law and Social Policy, Mississippi Human Services Agenda, the Mississippi Religious Leadership Conference, and the Mississippi legislature's Black Caucus, claiming that Gunn's approach was racist and punitive, worked vigorously and successfully to defeat the bill. A moderate pro-reform legislator, summing up the process at the close of the session, suggested that the bill's failure was due not only to its "bizarre" proposals but to the personality of Gunn himself. "Mike Gunn," he observed, "took the KKK approach — it got to the point that we couldn't pass motherhood with Mike Gunn's name on it."

Despite its failure to enact welfare reform in 1992, the legislature did take a crucial though quiet step at the close of that session that helped structure the future formation and implementation of welfare reform in Mississippi. In what could be characterized as a legislative gift to the new governor during his honeymoon period,

the legislature disbanded an advisory governing board to the Mississippi Department of Human Services (DHS) that not only had served as a buffer between the governor and the agency but had played a central, active role in selecting its director; authority over the agency devolved to the governor. Given his vigorous support for welfare reform, Governor Fordice proceeded quickly to assume direct control over DHS through appointments of Republican supporters and ideological allies to key positions.

When the legislature returned to work in September 1992, the house rather than the senate took the lead on welfare reform to distance the legislation from people like Mike Gunn. The "new" welfare reform plan moved away from the more outlandish "pro-family" aspects of the original senate bill but drew heavily on its core ideas. The focus was shifted away from "behavioral changes" to economic self-sufficiency and an "immediate attachment to the work force." Many of the groups active in 1992 coalesced again to oppose the proposed reform package; however, its new emphasis, coupled with a generally favorable climate toward welfare reform and its distance from people like Gunn, enabled the bill to pass virtually as written.

The Mississippi Department of Human Services, working closely with the governor's office, the legislature, and federal officials in the U.S. Department of Health and Human Services (HHS), then developed and submitted a package of waivers for HHS approval at the end of 1993. Upon approval in mid-1995, the waivers empowered DHS to implement two pilot programs, Work First and Work Encouragement. Work Encouragement was similar to Work First but had less strenuous work requirements.

Implementation of Work First, the larger component of Mississippi's Welfare Demonstration Project, began in October of 1995. Under the federal waiver package, Work First made benefits contingent upon fulfilling work requirements and introduced a three-step process for applicants: eligibility determination, case management, and job placement. In these respects, Mississippi's waiver package of 1994 prefigured the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.[2]

Both the governor and state legislature moved quickly to secure federal funding through the Temporary Assistance for Needy Families (TANF) block grant. Because Mississippi's legislature is in

session only ninety days in the early spring, it was necessary to wait until early 1997 to pass the required enabling legislation. Once again, discussion of TANF in the Mississippi legislature was acrimonious, echoing and building upon the earlier debates over the Work First program. The outcome, however, was never in doubt. The final vote was nearly unanimous, building as it did on common ground among legislators that the pre-TANF welfare system was broken and in need of repair. The governor signed the bill on March 13, 1997.

Privatization: The Thrust of Early Work First Implementation

In contrast to its smooth passage through the legislature, the implementation of the TANF Work Program (TWP), the renamed Work First pilot program, was riddled with problems. The Mississippi Department of Human Services was given full responsibility for implementation of TWP by the state legislation. Since the DHS executive director was now to be appointed directly by the governor, with top management to serve at his pleasure, Governor Fordice quickly filled these positions with Republican supporters and persons who shared his ideological beliefs. The new leadership, taking advantage of the agency's existing hierarchical organizational structure, quickly changed its programs and its mission. It came as no surprise that heavy use of privatization soon followed. The Fordice administration had already implemented pilot programs privatizing the child support enforcement division within the agency with plans to go statewide and favored privatizing other human services programs.[3] Consistent with that thrust, the Governor advocated the privatization of other traditionally public functions, such as prison ownership and management.

The early privatization of TWP was quite haphazard. Faced with a tight timeline and an executive interested in privatization, DHS officials issued a request for proposals (RFP) within weeks after enactment of the state legislation. The RFP of late March 1997 invited bids on case management, job training, and job placement functions. DHS officials expected that the existing planning and development districts (PDDs) (explained later) would win the contracts because of their experience with case management under a previous work program. The bids from the PDDs, however, were

significantly higher than those from Green Thumb Inc., Lockheed-Martin, and several community action agencies.[4] Lacking the time and resources to structure the RFP and its processes more carefully, DHS was forced to develop contractual arrangements with contractors with whom the state had no significant experience. Thus, privatization, with decisions necessitated by a short implementation timeline, led to operational difficulties.

Welfare clients in Mississippi participate in a three-step process:

- eligibility determination. An eligibility worker at the local human services office first determines eligibility for benefits, then whether the client is exempt from the work requirement. A client who is not exempt is referred to case management.
- case management. The case management entity (CME) determines barriers to work, such a child care and transportation. The client then signs a personal responsibility contract.
- job placement. The job placement contractor (JPC) places clients in jobs, determines job readiness, and provides training, if necessary.

This process represents a major change in welfare administration in Mississippi. Under AFDC, the Department of Human Services was responsible for determining eligibility and providing benefits, and the Department of Economic Development was responsible for case management. Regional divisions of these two state agencies vary considerably. The Department of Human Services is divided into six service regions. Each of the eighty-two county directors reports to a regional director, who in turn reports to the state office. The Department of Economic Development is divided into twelve planning and development districts (PDD), each with its separately contracted case management entity (CME). The CME arrangement is a relic of the Job Opportunity and Basic Skills program (JOBS), where the concept of a case management entity to provide assistance into job transition was first developed. Under JOBS there was no specified participation rate or power to sanction. Educational programs were allowable work activities under JOBS; under TANF in Mississippi, they are not. Under JOBS, overall participation rates were low in Mississippi, and there was little

coordination between the eligibility worker and the case management entity.

Under TANF, job placement is contracted out through the nine districts of the Department of Human Services. The districts, distinct from the six DHS service regions, are drawn on the basis of population distribution in the state. Contracts are awarded competitively to both nonprofit and for-profit organizations. Job placement contractors (JPCs) are responsible for maintaining offices throughout their respective regions to assist clients into the workforce.

The organization along different geographic lines of the DHS, the CMEs, and the JPCs was a prescription for difficult program implementation and administration. The DHS regional directors are responsible for the coordination of TANF eligibility determination, case management, and job placement.[5] Each privatized case management and job placement entity also has a private regional director. Responsibility for the success of the TANF program is shared by the county DHS directors and the state DHS regional directors. Success is contingent upon the performance of two privatized components over which DHS regional and county directors have no authority, contractual or otherwise. Problems are the sole responsibility of individual DHS county and regional directors, to be managed through personal contacts and the power of persuasion.

Not only were the privatized components working under different geographical units, they were motivated to attain inconsistent goals. For example, the performance-based pay structure for JPCs was an incentive to move clients through their component so they could get paid. Since CMEs were being paid a lump sum, they perceived no financial motivation to move people through their program. As a result, the CMEs' relationships with the county offices and the state DHS office deteriorated quickly. DHS then began limiting the time on the CME contracts in an effort to monitor their activities more clearly. At one point, contracts to CMEs were actually on a *monthly* renewable basis! The costs associated with CME contract renegotiation and performance monitoring grew substantially.

The original contracts between DHS and the CMEs were structured around a set of incentives that DHS believed would enhance its ability to attract capable agents interested in its broader goals. Less than four months into statewide implementation, however, the director of the Economic Assistance Division of DHS stated a

preference for performance-based over flat-rate case management contracts. Such a change, he contended, would provide a monetary incentive for the CMEs to move clients through the program and force them to better coordinate their activities with DHS and the JPCs. DHS officials claimed that the quality of case management varied widely from district to district, with excessive delays in moving clients from the CME to the JPC. A performance-based incentive system, they believed, would correct this deficiency.

Even before TANF, problems existed at the county level between county eligibility workers and CMEs. DHS officials alleged that shoddy case management, as well as minimal interaction, was largely responsible for the low JOBS participation rate in Mississippi. Under TANF, DHS county offices were forced to work closely with their respective CMEs. The long unstable relationship was further aggravated by knowledge that contracted case managers received higher pay and had less stringent job qualifications than their county DHS counterparts. Indeed, within the CMEs there were no consistent job requirements, and the minimum requirement for the private case managers was a GED or a high school education.

This difference in job requirements leads one to ask whether some of the agents chosen by DHS were capable of performing tasks assigned. The CMEs experienced high turnover rates because of high job stress, inadequate training and education, and the problems associated with the implementation of a new program. The CMEs were given a list of requirements for operation, but it was up to each CME to develop a specific plan to achieve those requirements. In any event, their plans were interdependent with those of the other contractors, particularly the JPCs. Large-scale case management was a relatively new task for private companies, and few had a clear idea of the effort and skills required to provide appropriate services.

Coordination of activities for TANF, with unclear expectations of actual practice and communication problems, plagued the relationship among eligibility determination, case management, and job placement agencies. After the program had been in effect for a few months, DHS officials argued for elimination of the separation between case management and eligibility functions and advocated that both be performed by DHS staff. This proposal further heightened the tension between the CMEs, who reported to the Department of Economic and Community Development, and DHS.

Politically, the PDDs represented a powerful group within the Economic and Community Development Department because of their relationship with the county boards of supervisors; wresting this function from their control proved to be extremely difficult.

CME and JPC relationships were equally contentious, marked by communication problems and differing expectations about responsibilities. Communication was smooth only in overlapping district areas where case management and job placement functions were contracted out to the same entity. It should be noted, however, that in such counties there was the potential for the CME and the JPC to, in effect, "double team" the DHS county director. The absence of formal monitoring mechanisms placed an additional burden on this relationship.

The JPCs were, admittedly, the last on the scene; they assumed tasks performed by the Mississippi Employment Security Commission under the Work First demonstration project. DHS, dissatisfied with the commission's performance in the pilot counties, recommended its replacement under TANF with private sector organizations. The commission attempted to retain its role as JPC in the various districts, but lost all of its contracts due to its non-competitive bids. Specifications that failed to delineate clearly the range of responsibilities in the TANF program were a disadvantage to bidders. The JPCs, many ill prepared for their role, encountered program development and implementation problems from the outset and they had great difficulty fulfilling their contractual obligations to DHS. Job readiness programs in most areas were hastily put together, and the JPCs had difficulty placing harder-to-serve clients in unsubsidized employment positions.[6]

The mix of agents chosen as JPCs in Mississippi varied widely, but they faced common problems. Development and early implementation problems were compounded by population dispersion, and economic disparity, underlying racial tension, and a traditionalistic political culture.[7]

Race as a Factor

While class is in many ways the essence of the welfare debate, like much else in Mississippi (and in so many other states as well) a

significant portion of the legislative debate over TANF was along racial lines. Representative Jim Evans, then head of the Black Caucus in the Mississippi House of Representatives, argued passionately that the law was constructed in a "bad spirit." Evans suggested that the Department of Human Services (DHS) and much of the legislature had a "plantation mentality" and that a "plantation management" system was in place throughout the administration. He noted that Governor Fordice had appointed a number of former military officers like Colonel Don Taylor (director of DHS) and Colonel "Bud" Henry (director of Family and Children's Services for DHS) to positions of leadership in DHS instead of traditional social workers with a client service orientation. Taylor, in response, asserted that his "clients" were the taxpayers he was dedicated to protecting from those who were attempting to exploit them and their hard earned money.

Although pro-TANF forces never publicly or explicitly utilized race to make their case, it was an essential subtext to the debate. Members of the Black Caucus and other opponents claimed that they had been shut out of the legislative debate and accused the chair of the Public Health and Welfare Committee of the Mississippi House of trying to "run it [the legislation] through." The combined effect of all of these pronouncements and accusations was a perception among African American elites and social activists that TANF policy was designed by whites to their detriment. That perception made its way down to welfare recipients who frustrated the implementation process by ignoring requests to come in for processing and placement. Indeed, in some quarters of the welfare community a myth took root that if recipients just avoided participation in the new program, benefits would simply continue unimpeded. For some clients the myth persisted until they were sanctioned and suddenly did not receive a check.

In distinct contrast to the views of Black Caucus, other legislators characterized the process as open and inclusive. They vigorously opposed the suggestion that race was in any way driving the reform. Instead, they presented the legislation in a manner consistent with the traditionalistic/individualistic political culture of the state.[8] U.S. Representative Bennie Thompson (D-MS) argued that the program would have negative consequences and claimed, "It's obvious, they'll [welfare recipients] resort to whatever means necessary to survive. You'll make people on public assistance predators by lack of public support." DHS Director Taylor, in rejoinder,

asserted, "Our current system is a paternalistic plantation mentality approach that has trapped the poor. Its premise is, 'We know you are incapable, and you could never be expected to achieve self-sufficiency.'" Taylor's aphorism, "the best training for a job is a job," meant that self-sufficiency and an immediate attachment to the workforce were high priorities for TANF implementation, not job training and job readiness. Few allowances if any were made for educational exemptions, and money to fund activities such as literacy programs was not made available.

Geography and Economics

Beyond the macro issues of race and political culture are the more particular problems of widely disparate geographic and economic conditions in Mississippi. While the state experienced overall economic prosperity in the 1990s, that prosperity is concentrated in selected geographic regions. The advent of gaming in Tunica, Natchez, and Vicksburg has made the rich Delta farmland that stretches along the banks of the Mississippi River from Memphis south to Vicksburg a region of economic extremes. In these cities, and along the economically prosperous gaming centers of the Gulf Coast, job opportunities abound. However, in the remainder of the Delta, where a majority of the African American population continues to be tied to an agrarian-based economy, jobs are seasonal, few, and far between. Thus, even with proper job training and the threat of having their welfare benefits sanctioned, individuals in certain areas of the state are hard pressed to find employment.

While the initial influx of clients moved quickly through the TANF program and produced an enviable record of success, there is evidence that the record is both inflated and disproportional.[9] After placing those who were clearly employable and living in economically sound regions or larger urban areas, the JPCs were left with significantly harder-to-place clients. The early, successful transition of the job ready from welfare to work did not bode well for continued success when the remaining clients had substance abuse, illiteracy, and other intransigent problems.

Such structural problems, in turn, led to the de facto removal of incentives for the agents, who began to shirk their responsibilities. This went largely undetected for nearly two years, the result of

ineffective feedback and monitoring systems among DHS, the PDDs, and the case management contractees. Even then, its discovery came through legislative action, not through DHS's monitoring and accountability mechanisms.

Welfare rolls had begun to drop dramatically in Mississippi even before statewide implementation of the TANF work program. After implementation, the greatest number of those leaving the rolls exited voluntarily before entering and completing the work program. Since JPCs were paid on a performance basis, they profited only by moving clients through the system and into jobs. The decreased client base left JPCs with unprofitable, hard-to-serve clients. Furthermore, the JPCs were plagued by client complaints about the types of jobs in which they were placed (usually low-paying, service-oriented positions) and the quality of the job readiness programs the JPCs were running. In testimony before the Mississippi state legislature in February of 1998, clients asserted that they were put in a room with several computers and told simply to "play with the computers."[10] Many testified that they played solitaire until their time was up. Turnover in the CMEs was also a problem; one client testified that she had had four case managers in eleven months. In her own words, "I think that's a lot of the reason why my case is so messed up." This behavior by the contracted entities clearly was at odds with program goals.

The JPCs began to seek different contractual terms. In areas where they were not meeting the expectations of DHS, the only recourse for the county and regional directors was to request the state office to renegotiate contracts. JPCs sought different contracts that would allow them to become profitable.

The End of Privatization

Seventeen months after the start of implementation, the Mississippi Department of Human Services was forced to restructure the TANF program. All private and nonprofit JPCs retired their contracts and left the program voluntarily. Job placement, it was clear, was no longer viable after the initial, more easily employed clients had gone through the program. DHS officials also achieved their goal of bringing case management under the aegis of the department. As of September 30, 1998, DHS was providing eligibility determination,

case management, and job placement for the majority of the state. Community action agencies serving as JPCs in four regions operated in that capacity until October 1, 1999; thereafter, by mutual agreement with DHS, JPC functions in those regions were absorbed by DHS.

More than three years after TANF implementation, DHS still confronts many of the same administrative issues as at the outset. Staff shortage and performance monitoring are among the most challenging. DHS has reverted to personal services contracts with individuals to provide job readiness and job development training. Unlike the longer-term contracts initially issued to organizations, the personal services contracts include five-day cancellation clauses. These contracts also establish direct accountability from the contracted individuals to the DHS regional directors, making performance monitoring easier. Performance-based contracts have been replaced with flat hourly-rate contracts, thus providing an increased incentive to the new agents. DHS officials report that individuals currently serving as contractors are former DHS case workers, thus ensuring that they appreciate its mission.

The inauguration in January 2000 of a new governor, Ronnie Musgrove, a Democrat, is expected to lead to further changes in welfare implementation in Mississippi. While Musgrove's reputation is conservative — he was supported for election by the National Rifle Association and anti-abortion advocates — he also appealed to moderates in stressing education reform and economic development. Since taking office, Musgrove has come closer than any Mississippi governor in creating an administration reflective of the state's racial diversity. Dr. Bettye Fletcher, an African-American, former interim President of historically black Jackson State University, was appointed Executive Director of the Mississippi Department of Human Services. She began her tenure by asking for resignations of all political appointees from the Fordice administration, and was expected to pay close attention to the administrative problems plaguing DHS.

Summary

The TANF story in Mississippi reveals a pattern of complex contractual relationships that were not adequately monitored. Contract

incentives were often at odds with the goals of DHS, and, perhaps, with those of the citizens of Mississippi. Inability to align goals of citizens, government, and the various contracted entities created an implementation structure that courted mediocrity, if not outright failure. The combination of an early decision to privatize and the inability of DHS to settle on a set of incentives for its contractors led not only to confusion on the part of players in the system but also made it difficult for DHS to identify and contract with the best possible agents. Later attempts by DHS to address issues such as ineffective monitoring and shirking behavior by substantially reducing the period of the contracts further confused the issue and removed incentives for contractors to work toward greater program goals. In short, the privatization arrangements crafted by DHS became, at best, dysfunctional.

The inability of DHS to carry out its responsibility for program quality without control over content and delivery was intolerable. DHS corrected the mismatch by eliminating the two privatized components and bringing all eligibility, case management, and job development functions under its aegis. With direct monitoring authority over all three activities, incentive structures have become less problematic, and the use of former eligibility workers considerably diminishes the problem of identifying the best agent. DHS is now much better positioned to implement the dual goals of moving welfare recipients to work and reducing the number of persons in Mississippi receiving public assistance.

Notes

1 The heads of eight executive branch departments and the lieutenant governor are directly elected by voters, and numerous boards and commissions are independent of the governor. See Dale Krane and Stephen D. Shaffer, *Mississippi Government and Politics: Modernizers versus Traditionalists* (Lincoln, NE: University of Nebraska Press, 1992), Ch. 3.

2 See David A. Breaux, Christopher M. Duncan, C. Denise Keller, and John C. Morris, "Blazing the TANF Trail: The Southern Mind and the Politics of Welfare Reform in Mississippi," *American Review of Politics* 19 (Spring): 175-189.

3 Interview with a member of the governor's staff, September 1997.

4 Interview with members of DHS staff, November 1998.

5 It should be noted there are two measures of program success. The "public" goal is to move people from "welfare to work." However, a second program goal is to reduce the number of people on the welfare rolls. While this second goal is often publicly stated as well, our examination suggests it is the primary program goal.

6 For example, the Oktibbeha County, Mississippi JPC office was located in a decrepit strip mall, and its location was marked by a hand lettered sign in a dirty window. A brief visual inspection of the office through the glass revealed a single desk and chair. Furthermore, no JPC representative was present on three separate visits to the office — each time, the office was locked tight, with no indication anyone had been there since the previous visit.

7 The traditionalistic political culture, concentrated in the southern states, "is rooted in an ambivalent attitude toward the marketplace coupled with a paternalistic and elitist conception of the commonwealth." Daniel J. Elazar, *American Federalism: A View From the States* (New York: Crowell Publishing, 1966), p. 118.

8 See Elazar, and Krane and Shaffer.

9 See Breaux, et al.

10 The function of the Job Readiness program is to teach clients basic skills such as filling out job applications, interviewing skills, and managing their personal resources.

Chapter 4

Welfare Reform in New York: A Mixed Laboratory for Change

Sarah F. Liebschutz

It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country. [1]

At first glance, welfare reform in New York would not seem to be one of the "novel social and economic experiments" praised by Justice Louis Brandeis. With respect to its content, New York State welfare reform policy generally reflects a continuance of New York's historically liberal policies and practices. With respect to program emphases and administrative modifications, however, welfare reform represents notable departures from past practice. These departures, moreover, appear to be successful in moving welfare clients from welfare to work. In brief, New York's status as a "laboratory" is somewhat mixed.

The purpose of this chapter is to examine and analyze these aspects of continuity and departure. First, the key provisions of the state's 1997 welfare reform act are presented. Then the parameters that frame public discourse and policy in New York — the state's political culture and the intergovernmental context of welfare policy formulation and implementation — are elaborated. Next, early implementation findings are discussed. The chapter concludes with consideration of future challenges for welfare reform in New York.

The New York State Welfare Reform Act of 1997

"We have an historic opportunity to change the failed welfare system," Governor George E. Pataki asserted after enactment of the 1996 federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). "We must return welfare to its original intent: a temporary benefit to help those in need move back into the workplace." The governor, the first Republican to be elected to the office in twenty years, proposed a state welfare reform program called New York Works. New York Works, he argued, had the potential "to restructure the entire public assistance system in New York State in a rational and efficient manner."[2]

However, welfare reform negotiations in New York were entangled with those of the state's 1997-98 budget, which was not adopted until 126 days after the start of the state's fiscal year, a new record. After protracted negotiations involving well-organized interest groups with their own varying agendas for both continuity and departure, the New York State Welfare Reform Act was adopted in August 1997 — one year after enactment of PRWORA. The New York act reflected both the governor's original proposal and key concerns of the senate and assembly majorities.

The Governor's Proposal

The governor appealed to conservative Republicans and antitax groups with his 1996 proposal with "the message that welfare is temporary and . . . a bridge to self-sufficiency."[3] He recommended that Aid to Families with Dependent Children (AFDC) and Home Relief (the state-local general assistance program for persons ineligible for AFDC) be replaced by two time-limited programs — Family Assistance, a five-year program for families with children, financed by Temporary Assistance for Needy Families (TANF), and Safety Net, the successor to Home Relief. To encourage work, both programs were more generous in disregarding earnings in the calculation of welfare benefits than their predecessors. Both, however, provided less liberal benefits. The governor proposed that Family Assistance/TANF benefits decrease over five years and that persons who had not lived in New York State for twelve months could

receive benefits no higher than those of their former state or more than 50 percent of New York's benefits. Safety Net assistance was in the form of in-kind benefits and vouchers, not cash. In addition, Governor Pataki proposed other changes to New York's welfare practices estimated to save the state nearly $500 million in the first full year of implementation.

Such changes included:

- denying benefits to welfare applicants who fail drug tests and who fail twice to report for counseling
- limiting exemption from work requirements to parents with a child under three months, while establishing a child care block grant with increased funding
- paying less than the minimum wage to workfare participants
- defining work narrowly, to exclude vocational and educational training
- requiring teenage mothers to live with a responsible adult and work toward a high school diploma to receive benefits
- replacing the current system of state reimbursement for welfare spending with a block grant to social services districts.

Consonant with the emergence since the late 1970s of the New York State legislature as "equal partner with the governor in negotiations over state policy," the key actors, along with the governor, in the welfare reform negotiations of 1997 were the speaker of the assembly and the president of the senate.[4] Their positions on the details of welfare reform reflected their different constituencies.

The Legislature's Response

Assembly majority Democrats responded to organized labor and to advocates for the poor, children, and families. They favored, among other points:

- a broader definition of work to include vocational and educational training
- stable benefit levels up to the five-year cutoff point
- minimum or, if applicable, prevailing union wages for working recipients
- antidisplacement language
- elimination of benefits only if drug treatment were refused
- small cash allowances in addition to vouchers and in-kind assistance to Safety Net participants
- prohibition of contracts with the private sector to perform income assistance (though not employment or social services) functions.

Senate majority Republicans reflected the concerns of county officials that block grants, as well as benefit cuts, would shift greater costs of public assistance to county governments; and that vouchers and in-kind benefits for Safety Net recipients would only increase the costs of local operations.

In the end, the New York State act incorporated many basic features of Governor Pataki's NY Works proposal, but with important concessions to the senate Republican and assembly Democratic majorities. For example, the legislature approved the proposed Family Assistance program, as well as reduced benefits for state residents of less than twelve months. But it rejected the governor's proposals for block grants to local services districts and New York City (thus continuing state reimbursement for local welfare expenditures) and decreasing benefit levels over the five-year Family Assistance limit. In addition, the legislature modified the governor's Safety Net proposal to stipulate cash assistance for two years, followed by vouchers and in-kind aid. It also mandated, in concessions to the assembly majority:

- no displacement of current, unsubsidized employees by welfare recipients
- no contracting out of the income assistance function

- ❖ broad definitions of work, including vocational and educational training.

Finally, the legislature incorporated a "learnfare" program, tying Family Assistance to school attendance.

Overall, reform represented continuity of the New York welfare program. The New York State Welfare Reform Act — in its provisions for assistance to the needy through the Safety Net, expansion of the income disregard, and liberal definition of work — reaffirmed the state's historic liberalism. However, the act's limited exemption from work requirements, residency requirement, substance abuse sanctions, and "learnfare" program represented changed public expectations about individual behavior.

Despite — or perhaps because of — its difficult birth, New York's 123-page welfare reform law was characterized at the time of its adoption as "a mixed bag."[5] Consistent with the premise that welfare reform in New York was not a radical departure was skepticism that little had changed. "Critics on both the left and the right," a *New York Times* reporter observed, "agree that this approach does not represent a significant financial carrot or stick for getting recipients off the welfare rolls."[6] The American Public Welfare Association (APWA) ranked New York at the median of the fifty states in terms of the relative generosity of its welfare reform policy choices — a ranking consistent with the "mixed bag" characterization.[7] Here, New York was not alone: the APWA, which scored the states according to their choices of thirteen common policy options in state TANF plans, found that the majority had balanced liberal and restrictive policies.

State Government Restructuring

Besides these programmatic changes, the New York Welfare Reform Act of 1997 authorized a major restructuring of the administration of welfare at the state level. The Department of Social Services (with long-term responsibility for administration of public assistance, social services, Medicaid, child support, and welfare-to-work programs) was eliminated and replaced with two new offices — the Office of Temporary and Disability Assistance and the Office of Children and Family Services (the only units of a shell

superstructure, the Department of Family Services). Medicaid administration was shifted to the Department of Health, welfare employment programs to the Department or Labor, and child support enforcement to the Department of Taxation and Finance.[8] In addition, the Office of Alcoholism and Substance Abuse and the Office for the Prevention of Domestic Violence were assigned responsibilities for specific programs for welfare clients.

Some of these functional reassignments, such as a separate child welfare agency, Medicaid in the health department, and welfare-to-work in the labor department, had been under consideration in prior administrations. But it was not until 1997 that Governor Pataki was able to connect the programmatic and administrative dimensions of welfare reform effectively.

New York's Political Culture: Compassion and Competition

New York's political culture reflects the ethnic, regional, and cultural diversity that has characterized the state since pre-Revolutionary times. Such diversity has shaped the character of New York, a character dominated by two values: compassion and competition. [9]Alternatively labeled moralism and individualism, both values are in evidence in New York's welfare reform policies.

Compassion

On the whole, the New York State Welfare Reform Act is an affirmation of New York's historic compassion toward those who are not able to compete — the "tired, poor, huddled masses yearning to breathe free," in the words of Emma Lazarus written on the Statue of Liberty. Both the state constitution and the attitudes of contemporary New Yorkers reinforce this value.

Article XVII, the social welfare article of the state constitution, stipulates that the "aid, care, and support of the needy are public concerns and shall be provided by the state and by such of its subdivisions, and in such manner and by such means, as the legislature may from time to time determine." The affirmative language of this provision — among the strongest in the nation — came about in the

aftermath of the Great Depression, when localities and private agencies were unable to meet the needs of the people. Delegates to the 1938 state constitutional convention proposed and voters subsequently agreed on the need for permanent state involvement in the social welfare of New Yorkers. While the Court of Appeals, the state's highest court, has upheld the state legislature's discretion regarding the extent and nature of state assistance to the needy, the court has consistently taken the position that such aid per se is not a legislative option.[10]

The importance of Article XVII cannot be overemphasized for its influence on the shape of welfare reform in New York. Two key features of the New York program — retention of state-local general assistance as the Article XVII Safety Net program, and maintenance of stable benefit levels in the five-year Family Assistance program — clearly illustrate the strength of the state constitutional commitment. A third feature of the New York Act, the residency requirement for full TANF benefits, appeared, from the outset, to be inconsistent with Article XVII, and, in fact, was never implemented. It was ruled unconstitutional by a state supreme court (trial level) justice in August 1998. Supreme Court Justice Andrew Siracuse asserted that "legislative and policy pronouncements and ordinary legislation have no authority to abrogate the guarantees of the [state] constitution." The ruling was upheld by the appellate division of the New York Supreme Court. Given the fact that two earlier, more generous, residency/benefits laws had been found to be unconstitutional by state courts, these rulings were not unexpected.[11] In May 1999, the United States Supreme Court declared a similar California law in violation of the fourteenth amendment to the U.S. Constitution; that decision effectively preempted appeal of the appellate division ruling to the Court of Appeals, the state's highest court.[12]

Contemporary public opinion in New York reinforces the value of the state's collective benevolence. In the November 1998 survey on devolution, health care reform, and welfare reform for the W. K. Kellogg Foundation, discussed in Chapter 1, New Yorkers demonstrated higher support for public sector intervention to assist persons in need and greater concern for the welfare of children than Americans as a whole. For example, 54 percent of New Yorkers in the sample responded that the penalties and time limits imposed on families by welfare reform would harm children, compared with 46 percent of the national sample. Eighty-five percent of New Yorkers

(but only 77 percent of the national sample) agreed "When parents on welfare find jobs, government should provide help if their jobs do not pay enough to financially support their children." Additionally, New Yorkers expressed much higher awareness of the adoption of state welfare reform changes in the past two years — 62 percent compared to 48 percent.

Competition

Competition, or individualism, another mark of New York's political culture, is also apparent in the state's welfare reform policies. Enabling individuals to compete in the marketplace, coupled with the expectation that they do so, is played out in such provisions of the New York Welfare Reform Act as:

- a more stringent exemption from work requirements for mothers of young children (under three months of age) than in PRWORA
- expansion of the income disregard
- a child care block grant that provides increased state reimbursements to social services districts for child care necessary for a parent to participate in education, job training, work, or community service (workfare) activities.

These provisions are consistent with changed public expectations about individual behavior, which is at the core of three new state policies:

- parents are responsible for the behavior of their children: the learnfare program matches assistance to school attendance for children of welfare recipients (both TANF and Safety Net) in grades one through six
- teenage mothers are responsible for their own education: assistance to unmarried parents under eighteen is linked to attainment of a high school diploma
- welfare recipients who fail to report or treat substance abuse problems are sanctioned.

These "competitive" provisions represent new state policies, but the act's overall emphasis on work, not welfare, is not new. In his 1988-89 budget message, Democratic Governor Mario Cuomo (1983-94) endorsed the redirection of "public assistance programs to emphasize the shared responsibility of government and those in need to promote self-sufficiency through training and employment programs." Home Relief recipients were obligated by legislation enacted in the mid-1990s to participate in Job Search, work experience, or other assigned activities. In his last State of the State message to the legislature in 1994, Governor Cuomo announced an expansion of the work requirement beyond Home Relief recipients. He billed the JobsFIRST initiative as "a new system better suited to the times, more responsible to society's current needs, and with a greater capacity to promote the benefits of work, family life and parental responsibility."[13] He described an "initial screening to determine the level of need, determine whether the welfare system offers the best way to meet that need, and identify alternatives to long-term welfare."[14] JobsFIRST was an obvious, perhaps kinder and gentler predecessor to the New York Welfare Reform Act three years later.

The Intergovernmental Dimensions of Welfare

Welfare in New York is state-directed and locally administered. Not only are New York's fifty-seven counties and New York City required by state law to administer welfare programs, they are mandated to share their costs with the state government. New York, in fact, is one of only eleven states in the nation that require such cost-sharing, and that local share is the highest among the states.[15] Counties and New York City assume 25 percent of cash benefits paid to local AFDC/TANF recipients and 50 percent of those for Home Relief/Safety Net recipients. Likewise, New York's counties and New York City are mandated to share the non-federal costs of Medicaid. Federal aid to New York for Medicaid, about $11 billion in 1995, accounts for the lion's share of overall federal aid to the state and about 50 percent of the state's Medicaid spending. As in the case of TANF, New York is among a minority (15) of states that require their local governments to share the state's Medicaid portion.

Counties and New York City have very little discretion over eligibility for cash programs and amount of benefits but considerable flexibility in designing and enforcing work requirements and other

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rules affecting individual behavior. This flexibility, plus the fact that they are equal funding partners with the state, gives New York's fifty-seven counties (social services districts) and New York City a huge stake in welfare programs. From the outset, these local governments regarded neither the federal-state nor state-local dimensions of welfare reform in New York as business as usual. They were supportive of welfare reform efforts to reduce pressures on their own-source revenues and to increase self-sufficiency among their residents. At the same time, they advocated strongly in Albany for local flexibility regarding the mix of services under welfare reform. Though they were largely successful on all these fronts, they viewed, and continue to view, with unease new relationships with many different state agencies, who issue regulations for the 123-page welfare reform act.

Early Implementation Findings

The number of recipients of public assistance (AFDC/TANF and Home Relief/Safety Net) in New York has declined steadily since 1995, when Governor Pataki assumed office — from nearly 1.7 million in January 1995 to 874,000 in November 1999.[16] Three years following the enactment of PRWORA, August 1996 to August 1999, TANF recipients in New York decreased by more than 315,000, or 33 percent, from 1.143 million to 769,000.[17] The rate of decrease of Safety Net (the state-local program) recipients was comparable.[18] The annual rate of decrease of TANF families accelerated after enactment of the 1997 New York State Welfare Reform Act (see Chapter 1, Figure 4).

The majority of persons leaving welfare in New York have found and maintained employment, according to a Rockefeller Institute of Government study released in August 1999. Approximately two-thirds of the 8,983 persons, mainly single mothers, who left TANF during the first quarter of 1997 were employed "sometime during the one-year follow-up," and 60 percent of them were employed continuously during the year. "Only about one in five cases (21 percent) ever returned to Family Assistance [TANF]. Stated another way, 79 percent of closed cases were free of such assistance for the entire year following the case closing." [19]

Governor Pataki claimed that "historic reforms enacted by [him] and the Legislature [were responsible for reducing] New York State's welfare rolls [to] the lowest level in 30 years."[20] New York City Mayor Rudolph Giuliani asserted that he, "unlike previous leaders of the City, who somehow saw nothing wrong with having one-sixth of New Yorkers dependent on government, decided to do something about it. Our workfare program," he continued, "has given thousands and thousands of New Yorkers valuable work experience, while reasserting the basic American principle that in return for every benefit, there is an obligation."[21] Monroe County (Rochester) Executive John Doyle, speaking about "people on government handouts," contended that decreases in public assistance caseloads would continue as "job readiness and placement efforts will place [such] people in jobs." [22]

Such claims of credit for reductions in the welfare rolls by state and local officials reinforce the intergovernmental reality of welfare reform. The New York State Act of 1997 established statewide parameters for welfare reform. Two broad, interrelated messages flow out of that act (as well as PRWORA). The first message is directed at the behavior of individual (potential, as well as actual) welfare recipients; that message is "work not welfare." The second message is directed at the behavior of public welfare bureaucracies; that message is "shift the emphasis from welfare eligibility to workforce participation."

The state's fifty-seven social services districts/counties and New York City are the venues for implementation. They have taken advantage of local flexibility to implement these messages by designing and enforcing work requirements and other rules affecting behavior of clients and workers in varying ways. As Irene Lurie has observed, "simply providing information about policy change to the front-line worker and asking the worker to give information to the applicant or the recipient is no guarantee that you will get the change through the thick chain from the policy to the client."[23]

Work not welfare is strongly emphasized throughout the state. The first message given to public assistance applicants at local social services offices is "Look for work." Beyond that, eligibility workers — who are still largely focused on checking documentary compliance — are expected to counsel clients about the centrality of work in their life choices. Integrating the employment and eligibility functions is a universal goal of New York's local social services

districts. Consistent with their flexibility to design and enforce work requirements and other rules affecting individual behavior, they have interpreted and implemented that goal in varying ways. The following brief examples demonstrate how two counties, building on program emphases and practices that predated the 1997 New York State Welfare Reform Act, modified welfare administrative practices at the local level.

The Value of Work: Monroe County

Monroe County is an urban county of 713,968 (1990) in western New York. Eighty-seven to 92 percent of the county's welfare recipients reside in Rochester (the state's third largest city), where children in poverty are disproportionately concentrated. In November 1999, 11,800 families were receiving TANF aid, down from 16,200 cases — or 27 percent — since January 1996. The value of work over welfare preceded by several years the adoption of federal welfare reform. A central emphasis in Monroe County since 1992, it reflected a policy shift initiated by County Executive Robert King shortly after his election. As part of an overall examination of county government, King appointed the Commission to Analyze Savings and Efficiency (CASE) in 1992 to "formulate methods for improving internal financial procedures and systems; organize personnel logistics and structure; and redesign service delivery to improve the productivity of County operations." CASE was directed to focus specifically on the County Department of Social Services — the largest county agency in size, budget, and program diversity. A key recommendation of the commission, in November 1992, was to emphasize job search and job placement and deemphasize training. "Training and employment programs," the commission asserted, "are largely ineffective." A year later, King, in his 1993 budget message, proposed that the name of the Income Maintenance Division of the Department of Social Services (DSS) be changed to the Temporary Assistance Division and that its mission be redefined from "assisting individual and families in reaching their highest levels of self support" to "return[ing] citizens to productive roles in the private economy." The name and mission changes took effect in January 1994. King emphasized the centrality of work for welfare recipients, along with other values ("respect for authority, intact families, that children not become parents themselves . . ") until he left in January 1995 to become Governor Pataki's Director of Regulatory Reform, then the New York State Director of the Budget, and

in 2000, Chancellor of the State University of New York. His successor as Monroe County Executive, John Doyle, continues to endorse these same practices.

Work over welfare, however, was not the only emphasis of the Monroe County Department of Social Services prior to federal and state welfare reform. In fact, two other priorities were — and continue to be — strongly promoted within the bureaucracy:

- ❖ cost-avoidance, through correct eligibility determination (including the use of finger imaging) by AFDC and HR case workers and fraud detection through a large increase in investigatory staff
- ❖ cost-containment, i.e., low administrative costs, through high worker-caseload ratios.

A new vision for the Monroe County Department of Social Services, adopted in 1999 — "self-sufficiency for our customers which we encourage through a user-friendly system" — not only heightens emphasis on work as a value per se but links the skills of public sector employees to attainment of that goal. Prior to PRWORA, intake workers viewed the welfare-to-work (job skills screening and training, job search) function as the "job of the employment unit." That unit still retains primary responsibility for work assessments (including education and training), placement referrals, monitoring, and tracking work activities. Some of these activities are implemented directly by the unit; most, however, are carried out by a wide network of nonprofit and for-profit providers under contract with Monroe County. Even so, under welfare reform, intake workers are expected to actively counsel potential and actual welfare recipients about the positive effects of working.

In 1999, DSS was reorganized away from geography-based generalist teams to functional work groups. Under the new structure, only the intake function (to determine eligibility and benefits) remains intact. Work groups who provide specialized case management for clients who are substance abusers, employed, employable, or "maintenance plus" (SSI, grandparent guardians, mentally ill) have replaced the generalist teams. Such specialized case management is intended to enable workers to better determine clients' employment-related needs, coordinate community resources, and focus support services directly, particularly for hard-to-serve

individuals. The majority of the DSS staff, according to its director, "view welfare reform and the new organization with favor." One supervisor delighted in the fact that in the post-TANF world, "We now have permission to 'be real' with clients, to make them understand that they have an obligation to work first, to help themselves."

Team Integration: Oswego County

Oswego County, a rural county in northern New York (1990 population, 121,771), had moved well before PRWORA toward local service integration. Integrated service teams at three centers within the county currently provide the entire range of welfare services — eligibility determination, employment screening and counseling, child care and other supportive family services — to welfare applicants and recipients. Such integration at the point of service delivery had its genesis in a "visioning" process initiated by the county human services commissioner in 1994. The vision was directed at change in both individual and agency behavior. The former vision was to move individuals from "dependency and dysfunction to self-sufficiency and functionality," the latter was to empower social services employees individually and in teams to "make decisions and get things done at the point of action." The commissioner's reassurance from the beginning that reengineering would not lead to layoffs was important in moving this process forward. Planning at strategic, managerial, and operational levels, coupled with training in teamwork and systems thinking, proceeded apace over the next several years. Thus, Oswego County, having systematically developed and extended its own management capacity, was well positioned to implement a JobsFirst strategy when welfare reform became New York State policy.

Welfare Management Challenges

The capacity to govern is inextricably linked to the quality of available information. Under welfare reform, the need for such information stems from two sources: national and state governments who demand accountability, and state and local workers and administrators who must respond to the new signals and purposes of welfare policy. The Personal Responsibility Act, with reporting requirements on work participation, hours worked, types of work,

and services provided, has been described as perhaps the first large-scale information age social policy in the nation. In all states, such data requirements represent a "multiplicity of new or expanded functions for information systems."[24] In New York, the challenges are further compounded by more than five pages of tightly prescribed data collection requirements in the 1997 state act (Section 149). The New York State Welfare Management System (WMS), as currently configured, is not capable of responding to either the federal or state accountability requirements or the needs of managers at the local level.

A computerized information system, WMS, was conceived and developed in the 1970s, installed between 1979 and 1981 in the state's fifty-seven counties outside New York City, and thereafter, with modifications, in New York City. WMS was fully operational by the mid-1980s. The mainframes in New York City and Albany were last upgraded in 1989 and 1994, but the basic system is twenty years old.

WMS was intended, through centralized automation of the data collection process, to standardize determinations of welfare eligibility and benefits throughout the state. Both upstate and New York City systems are part of the state WMS; the distinction between them is operational:

- upstate local terminals are directly linked to the central operations center in Albany, and data input in fixed fields from upstate workers is directly transmitted to Albany
- New York City local terminals are routed through 400 UNIX processors for preliminary case editing, and the data are then downloaded every night to the mainframe in the NYC operations center.

While these technical points are important, the more critical issue is that New York State WMS was designed to focus on two functions: welfare eligibility and benefits. The system works well in carrying out those functions, that is, in determining and authorizing eligibility, calculating benefits, and distributing payments. However, the imbalance between what is actually collected and what is useful under welfare reform — for reporting purposes to the

national and state governments, as well as for strategic planning and management at the local level — is striking.

The Office of Temporary and Disability Assistance (OTDA) bears primary responsibility for reporting on TANF clients to the federal government. Multiple agencies with responsibility for their separate data management systems are also involved. Information systems (and department of origin) utilized for the quarterly performance reports to HHS include:

- WMS (maintained by OTDA)
- Wage Reporting System (Department of Taxation and Finance)
- Medicaid Management Information System (Department of Health)
- Child Support Management System (Office of Children and Family Services)
- Child Care Reporting System (OCFS)
- Employment Subsystem of WMS (Department of Labor).

Even with these multiple legacy systems as resources, New York State is not able to generate all the participation rate data required by the Personal Responsibility Act and must supplement with manually examined sample case records for selected indicators of participation.

A key drawback is that WMS was not designed to be an interactive, dynamic management system. For workers and administrators in the state's fifty-seven social services districts and New York City, the inadequacies of WMS for strategic planning and program monitoring are a source of considerable frustration. WMS tracks by case rather than by individuals. Key employment variables — work participation rates, job retention rates, recidivism — are not available in a timely fashion, or at all, to local managers. Neither is information on such work-related service needs as access to an automobile, child care, mental health, and/or substance abuse treatment. Finally, WMS does not provide such signaling information to local managers as how close current welfare recipients are to hitting the job

search six-week, vocational education one-year, or sixty-month lifetime benefit time limits.

A major project is underway, under the auspices of the Human Services Applications Center housed within OTDA, to restructure the state's welfare management information system. New York has made a several-hundred-million-dollar commitment to design, develop, and install a fully integrated management information system. This daunting challenge combines policy, oversight, finance, management, data system development, and information technology infrastructure issues — all compounded by the flight of experienced computer programmers from government to the more lucrative private sector.

Conclusion

What happens to national policies after they are adopted? In New York, responses to national welfare reform reflect the state's constitutional commitment to assist the needy and new behavioral expectations for individuals and public welfare bureaucracies, within the context of a state-directed, locally administered welfare system. The state's compassionate political culture forms the backdrop for understanding such key features of the New York State Welfare Reform Act of 1997 as retention of state-local general assistance and maintenance of stable benefit levels in the five-year Family Assistance (TANF) program. New behavioral expectations — consistent with the competitive dimension of the state's political culture — help explain provisions of the state law that mandate responsibility of parents for their children, of teenaged parents for completing high school, and of welfare applicants and recipients for alcohol and substance testing and treatment.

New York's fifty-seven social services districts (counties) and New York City have little discretion over welfare eligibility or benefits; they do, however, have considerable flexibility in designing and enforcing the work not welfare message of welfare reform. As demonstrated in an urban and a rural county, they are taking advantage of that flexibility by building on and extending past program emphases and practices.

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More than three years after the enactment of PRWORA and two years after the New York State Welfare Reform Act, state and local governments face difficult challenges in meeting the promise of welfare reform. That promise, as in the Monroe County vision statement — "self-sufficiency . . . encouraged through a user-friendly system" — encompasses opportunities to create change in people's lives and to direct resources to strategies that help families with long-term welfare use.

The central finding of the 1999 Rockefeller Institute study of work and benefit use after case closing is cause for optimism about the promise of welfare reform. That finding says: "New York's reduction in welfare caseload has been accompanied by positive employment outcomes for the majority [60 percent] of former welfare recipients, without a substantial return to welfare." Such optimism, however, must be tempered. As advocates for the poor have noted, "the study showed how difficult it was for former recipients to hold onto jobs, even in flush times. . . . only about 40 percent of the families . . . had a family member continuously employed over the . . . year [after their cases were closed]."[25] Furthermore, the Rockefeller Institute did not track single, childless adults who receive state-local Safety Net assistance. Such persons "are among the most difficult to employ because they often have disabilities like substance-abuse problems."[26]

Behavioral change — of clients and of social services staff — is a fundamental premise in welfare reform. Such change is not easily understood or transmitted. As Jason Turner, commissioner of the New York City Human Resources Administration, put it, "It's not just designing and implementing the one intervention that will have the most effect, but it's being able to drive that intervention to its conclusion without the individual we're trying to work with exiting out the side and taking advantage of [undesirable] alternatives."[27]

Setting a clear goal for welfare reform is the *sine qua non* for behavioral change. A staff development trainer posed the options succinctly: "Is the goal reducing the welfare rolls? Is it to get people into countable work activities? Or is to move people to self-sufficiency? This matters because the goal will determine what staff do. People can be harassed into leaving the welfare rolls. Staff can prioritize program compliance. But the more desirable end is self-sufficiency, where an individual can get a job, keep a job and move out of poverty." If the goal is self-sufficiency, "work activities are not

outcomes . . . [but] means to the end of self-sufficiency."[28] Thus, welfare workers must work with clients on motivation to change their behavior, basic life skills, and resources to manage change such as child care and transitional Medicaid.

The ways in which these challenges of motivation, skills, and resources are met will define the future course of welfare reform in New York. They will also determine whether New York's implementation policies and practices qualify as a novel social and economic experiment among the states.

Notes

1 *New State Ice Co. v. Liebmann*, 285 U.S. 262 (1932) (Justice Louis Brandeis, dissenting opinion).

2 George E. Pataki, State of New York Executive Budget 1996-97, p. 63.

3 Ibid., p. 66.

4 Sarah F. Liebschutz, *New York Politics and Government: Competition and Compassion* (Lincoln, NE: U. of Nebraska Press, 1998), p. 80.

5 Raymond Hernandez, "New York's No Model Welfare State," *New York Times*, 22 September 1997.

6 Ibid.

7 American Public Welfare Association, *State by State Welfare Reform Policy Decisions*, September 1997, processed. See also Thomas Anton and Richard Francis, "Welfare Reform: Lessons From New England," paper delivered at the New England Political Science Association Meeting, 1998.

8 The New York State Constitution limits the number of departments in the executive branch to twenty. Governors since Nelson Rockefeller have circumvented this limit by creating executive agencies and authorities. See Liebschutz, *New York Politics and Government*, Chapter 8.

9 Ibid., Chapter 1, for a discussion of New York's political culture.

10 See Gerald Benjamin and Henrik N. Dullea, eds., *Decision 1997: Constitutional Change in New York* (Albany: Rockefeller Institute of Government, 1997), pp. 301-315.

11 A six-month residency law for HR recipients, with 80 percent of state benefits, enacted in 1992, was mooted in 1994 (161 Misc. 2d 271); and a 1995 law, with six-month residency and benefits level of the former state (including the possibility of none), in 1996 was found unconstitutional by a state supreme (trial) court, with the decision affirmed by the appellate division (171 Misc. 2d 554).

12 The U. S. Supreme Court affirmed, in *Saenz v. Roe*, 119 S. Ct. 1518 (1999), the ruling of the ninth federal circuit court that a California law denying welfare benefits to newly arrived residents violated the right to travel of the Fourteenth Amendment of the U.S. Constitution.

13 Mario M. Cuomo, "Message to the Legislature," January 5, 1994, p. 40.

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14 Ibid.

15 Only ten other states require localities to fund a share of AFDC benefit costs, and of these states, only North Carolina required this share to be as high as New York's 50 percent.

16 New York State Office of Temporary and Disability Assistance, "Temporary and Disability Assistance Statistics," October 1999.

17 U.S. Department of Health and Human Services, Administration for Children and Families, "Changes in Welfare Caseloads since Enactment of New Welfare Law," December 1999 <http://www.acf.dhhs.gov>; New York State Office of Temporary and Disability Assistance, "Temporary and Disability Assistance Statistics," April 1999, issued March 2000.

18 New York State Office of Temporary and Disability Assistance, ibid.

19 The Nelson A. Rockefeller Institute of Government, "After Welfare: A Study of Work and Benefit Use After Case Closing," Albany: Rockefeller Institute of Government, 1999, pp. 7, 13.

20 George E. Pataki, "Letter From the Governor: Promoting Individual Responsibility" <http://www.state.ny.us/gov>.

21 Mayor Rudolph W. Giuliani, "Turning Welfare Centers into Job Centers to Build a More Independent New York," Message from the Mayor, 29 March 1998 <www.ci.nyc.ny.us>.

22 Monroe County Executive John Doyle, "The 1999 State of the County Address," <www.co.monroe.ny.us>.

23 "Welfare Reform in New York State: A Policymakers Forum held at the Nelson A. Rockefeller Institute of Government, Albany, New York on November 17, 1998," Albany, NY: Rockefeller Institute of Government, 1999, p. 16.

24 Richard P. Nathan and Thomas L. Gais, *Overview Report: Implementation of the Personal Responsibility Act of 1996* (Albany: Nelson A. Rockefeller Institute of Government, 1999).

25 Raymond Hernandez, "More Who Leave Welfare Rolls in New York Are Found to Get Jobs," *New York Times*, 5 August 1999, p. A19 (national edition).

26 Ibid.

27 "Welfare Reform in New York State: A Policymakers Forum," p. 11.

28 Beverley Ford, ASM Associates, Remarks, "Implementing Welfare-toWork for the Hard-to-Serve in New York State: March 1, 1999, Symposium," Albany, New York State Conference of Local Mental Hygiene Directors.

Chapter 5

Washington's WorkFirst Program: Key Policy Challenges

Janet Looney and Betty Jane Narver

Washington State's WorkFirst program represents a significant shift in philosophy and approach from the state's prior programs under Aid to Families with Dependent Children (AFDC), moving away from longer-term employment and training programs toward "work first." Signed into law on April 17, 1997, by Governor Gary Locke, the underlying philosophy of WorkFirst is that program participants will realize the greatest benefit from paid job experience. Consequently, Washington's welfare reform program, under the federal Personal Responsibility Act, is designed to move clients into the job market as quickly as possible. In line with federal legislation, WorkFirst imposes a five-year lifetime limit on the receipt of Temporary Assistance to Needy Families (TANF) cash benefits for individuals.

WorkFirst is in many ways a work in progress. Implementing agencies have made great strides since its enactment in developing new programs and meeting caseload reduction goals. However, as caseload levels decline, WorkFirst service deliverers face a more challenging population with multiple barriers to employment and self-sufficiency. This chapter provides a snapshot of WorkFirst two-and-one-half years after its adoption by the legislature. It also identifies some of the key, ongoing challenges the state must address in order to meet its more complex goal of not just moving individuals off the welfare rolls but also out of poverty.

The Context of Welfare Reform in Washington State

Welfare reform has been a recurring topic of debate in Washington State since the 1980s. Early reform efforts emphasized education and training as the necessary precursors to work and the most important ingredient in moving families toward independence. This approach was consistent with Washington's reputation as a state that historically put considerable emphasis on human resource development and training. Over a number of years and under both Democratic and Republican governors, it had invested in a strong infrastructure to provide social and health benefits, as well as education and training services. The state-supported community and technical college system, which provides much of the public sector training in the state, is strong and extensive, boasting modern campuses in every state legislative district.

However, intense fluctuations in the state's fiscal condition during the 1980s, coupled with the impact of federal cuts and the national recession, created growing pressure on the welfare system and opened the issue of AFDC caseloads to greater public scrutiny. The call for welfare reform focused increasingly on individuals becoming self-sufficient; putting people to work became the guiding theme. However, in early discussions, there was nearly always the assumption that work should be preceded by education and training. In Washington State and nationally that sequence began to change. By the time of the 1994 elections and the dramatic shift in state legislatures and in the Congress toward more conservative Republicans, the notion of work first was dominating the discussion.

Washington State, influenced by this national trend, experienced a major reorientation of its Republican party. The legacy of liberal republicanism, exemplified by former governor and senator Dan Evans, was superseded by a far more conservative majority with strong religious right overtones. A citizen tax revolt crystallized in a 1993 initiative that successfully put a cap on state expenditures. A booming economy, fueled by its aerospace giant Boeing and the growing power of Microsoft and other high-tech firms, created many jobs. Not finding work was viewed as a personal weakness despite two realities: a growing number of people working full time were paid low wages and lacked benefits, and the growth phenomenon was centered primarily in the Puget Sound region and

along western Washington's I-5 corridor, leaving many other regions with stagnant growth and high unemployment rates.

The Family Independence Program

The first impetus for serious welfare reform in Washington State came in 1987 with the arrival of Jule Sugarman as Governor Booth Gardner's nominee for Secretary of Social and Health Services. Sugarman, best known for his connection to the Head Start program and as a strong national advocate for children, led the development of the Family Independence Program (FIP), designed to help families reach self-sufficiency by providing financial incentives for participation in education and training. It aimed to remove some of the stigma of welfare by providing cash assistance for food purchases in lieu of food stamps and for child care and Medicaid subsidies for up to one year after exiting welfare. More attention was to be focused on pregnant and parenting teenagers. FIP clients were eligible for up to two and sometimes four years of education and training.

The only way Sugarman, who had not yet been confirmed by the state senate, was able to sell his concept to a recalcitrant legislature was by claiming that there would be essentially no new costs to the state despite the fact that a program such as FIP could work only with substantial new investments in the child care and education and training delivery systems. Sugarman's bold experiment in welfare reform could not be tested properly because there was no agreement about the long-term investment in state capacity required to make it work. Sugarman paid a personal price when the senate refused to confirm his appointment. The crippled program that passed in 1988 continued until 1993, when its lack of measurable success caused a disillusioned legislature to cut FIP's funding entirely.

Welfare Reform: 1994-1996

New welfare reform legislation was proposed in 1994. Recognition that the federal government was signaling strong, mandated reform put major changes in welfare programs high on the legislature's agenda. Despite the presence of a bona fide liberal, Mike Lowry, in the governor's mansion, overriding sentiment was toward tougher

welfare legislation. In 1994, the legislature passed a bill that established a fourteen-year time limit for welfare benefits, mandatory participation in the federally funded JOBS program, and a requirement that teen mothers live at home. Under the bill, families receiving benefits for forty-eight out of sixty months would have their grants cut by 10 percent, with an additional 10 percent reduction for each subsequent year, until they were cut off after fourteen years. Not surprisingly, welfare rights advocates protested the idea of grant reductions, grant termination, and the requirement that teen mothers live at home. Many conservatives saw the hand of the governor at work in the fourteen-year period allowed before termination. Many of his allies, who did not like the legislation in any form, realized that in all likelihood he had signed the bill because it did allow exemptions and could derail stricter proposals.

In the 1994 fall elections, the house turned Republican, and the Democratic majority in the senate decreased. Many of the new members, particularly in the house, reflected the same move toward a new conservatism that was mirrored in many states and in the nation's capital. During the 1995 session, more restrictive welfare bills were introduced in the house and senate. The house Republican bill proposed a two-year time limit for most welfare recipients (with some exemptions for victims of domestic violence) and denial of welfare benefits to unmarried teen mothers and to mothers having more children while on welfare.

In the senate, Democrats offered graduated cuts in benefits over seven years, with some opportunity to delay benefit reductions. Teen mothers could live with adult guardians and work toward their high school equivalency degree. In addition, the senate bill provided for job training, tax incentives for businesses to train welfare recipients, and a three-county pilot project modeled after the Oregon JOBS Plus program that subsidized the salaries of recipients hired by businesses. This bill also modified the family cap proposed by the house.

Controversy around the house and senate bills was primarily focused on family cap provisions, opposed by both liberals and conservatives. Neither bill was passed during the 1995 legislative session, but both were reintroduced during the shorter 1996 session.

In February 1996, Thomas Murphy, Catholic Archbishop of Seattle, spoke to a rally of 500 people at the state capitol, protesting the

impact of these bills on children. An editorial in the *Seattle Post-Intelligencer* headlined "Archbishop right" reinforced the message. Citing a just-completed review by the state Department of Social and Health Services (DSHS) of AFDC cases between 1989 and 1993, the editorial noted that under the guidelines contained in the house bill, more than 18,000 single-parent families, including more than 32,000 children, would have lost assistance if they could not find jobs, do community service, or provide day care to others' children.[1] The protest and the editorial received statewide attention. Neither bill was passed by the legislature during the 1996 session.

In August 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, and many states began to implement the TANF block grant and the other provisions of the new welfare law. In November, outgoing Governor Mike Lowry submitted Washington's existing welfare legislation to the U.S. Department of Health and Human Services (HHS). Lowry sought and received a waiver that allowed the state to operate under its 1994 plan as a ten-year federally exempt demonstration project under TANF on January 10, 1997.

During the 1996 session, Lowry announced that he would not run for reelection, largely as a result of sexual harassment charges. His influence with the legislature had clearly declined; moreover, his embattled DSHS secretary, Jean Soliz, had resigned in January of that year in part because of partisan charges that she had failed to handle child abuse problems effectively. It was also clear that the more liberal, federally approved 1994 plan would not survive the Republican-controlled house and senate in 1997. In fact, the legislature was determined to enact measures that reflected the state's new attitudes about the direction of welfare reform. The climate within the state and nationally had become far more pro-active in attempting to get people off welfare and to end long-term dependency.

Another Democrat, Gary Locke, succeeded Mike Lowry as governor in January 1997. Locke brought with him years of legislative experience. Before a brief tenure as King County Executive, Locke had served as the very powerful chair of the House Appropriations Committee. Well-versed in state budget issues and legislative procedures, Locke escaped the stigma of a Seattle liberal and stood a good chance of achieving accommodation with the Republican house and senate.

His transition team included Ken Miller, who had extensive experience in Oregon's early welfare reform efforts; Locke gave him primary responsibility for designing Washington's new welfare proposal. Locke also reappointed Lowry's replacement to succeed Jean Soliz as head of DSHS, Lyle Quasim, the former deputy secretary, who had long experience in the agency. While much of the staff that had designed Lowry's original welfare plan was still in place, many had left the agency as it became increasingly clear that the legislature was determined to enact new, stricter legislation.

During his first month in office, Locke charged a subcabinet with developing a welfare bill to replace Lowry's program. At the same time, the legislature was eagerly involved in planning a new approach to welfare reform. The governor made clear his priorities: protection of children, promotion of job retention and wage progression strategies, and protection of legal immigrants. As the child of first generation immigrants, his persistence on this latter issue resulted in the only legislation in the country that took such a strong stand on benefits for legal immigrants. Locke's bill was never formally introduced to the legislature, but his policy advisors believe that their work helped shape the debate and that the final legislation reflected the governor's priorities.

Following extensive debate in the legislature that included concerns raised by welfare advocates, Locke signed Washington State's WorkFirst Temporary Assistance to Needy Families Act (Engrossed House Bill 3901) on April 17, 1997. WorkFirst represented a significant shift in Washington's philosophy and approach — away from longer-term employment and training programs under the Family Independence Program and Job Opportunities and Basic Skills (JOBS) program toward work first. The emphases are stated clearly in section 1 of the WorkFirst act: "The central role of employment in reducing poverty and need; the temporary nature of public assistance; the importance of the state's efforts in sustaining economic independence and promoting occupation and income advancement and the continuing responsibility of the state to protect children and other vulnerable residents."[2]

The state has made great progress in implementing the new WorkFirst program, meeting major goals well ahead of time. However, challenges remain in achieving core goals: moving individuals off the welfare rolls and out of poverty.

Meeting the Goals of WorkFirst

WorkFirst legislation outlines goals and requires tracking outcomes related to caseload reduction, work participation and increased earnings from employment, and reduced recidivism.[3] Performance targets are set at the regional level and are approved by the state. The state's overall performance goals for the 1999-01 biennium are ambitious and are intended to spur improved performance. Regions must decide how they will develop strategies to meet longer-term performance goals while working toward shorter-term targets.

State implementing agencies — the Department of Social and Health Services (DSHS), the Employment Security Department (ESD), Community Trade and Economic Development (CTED), and State Board for Community and Technical Colleges (SBCTC) — have faced a monumental task since passage of WorkFirst legislation. These agencies, particularly DSHS and ESD as the lead agencies, had only a few months to rethink and redesign their entire approach to helping people leave the welfare rolls.

The WorkFirst program design incorporates transitional support services (i.e., extension of Medicaid benefits, Food Stamps, and child care subsidies), as did the predecessor FIP and JOBS programs, but moves away from long-term training as preparation for work. Modeled broadly on programs such as Oregon's JOBS Plus and the Riverside GAIN program, WorkFirst emphasizes work experience over any training other than for soft skills prior to work (soft skills include promptness in showing up for work, professional demeanor, etc.). Training is available to WorkFirst clients only after they have been placed in a job or if they have been unsuccessful in getting a job following the required twelve-week job search.

Early Successes

WorkFirst's emphasis on employment before training responds, in part, to federal TANF requirements for work participation and caseload reduction; in part, to the concern of many case managers that clients enter the workforce as soon as possible so as not to exhaust their five-year lifetime limit on TANF benefits; and, in part, to the

ideological shift among state policy makers discussed above. For all of these reasons, there has been a sense of urgency about moving people into work.

Washington's caseloads have dropped considerably since enactment of the federal Personal Responsibility Act. Aided by a strong economy — particularly in the Interstate-5 corridor (western Washington), as well as by families diverted from entering the system at all, targets set in the 1997-99 budget were achieved well ahead of time. Washington's caseload was high in early 1997 (95,982 families in January 1997) but started to drop after the April 17 enactment of its welfare reform program. The state set a target for 84,881 cases by June 1999, met this goal in September 1997, and by July 1998 had exceeded the goal by 16 percent. The state also met its June 1999 target for 90 percent of clients involved in work participation activities six months ahead of time in December 1998.[4] Work participation includes individuals on the caseload who are working twenty hours a week, which can include private sector employment, participation in subsidized employment through the Community Jobs demonstration program (a community service program, with "paychecks" and "benefits" provided from the participant's welfare grant), looking for work, or preparing for work or participating in other required services.

Goals for the 1999-01 biennium are similarly ambitious. The state has set a goal of 53,500 cases by June 2000. In August 1999, the TANF caseload was 59,738 — 2 percent above the target established for the month, but still on a downward trend.

Developing Incentives to Reach Long-Term Goals

Washington, having successfully met its caseload and work participation goals for 1997-99, has turned attention to the more complex goals of lower recidivism, greater job retention, and higher wage progression rates. Implementing agencies, as required by WorkFirst legislation, have developed outcome measures to track progress toward these goals at both the state and local levels. To spur improvement across the board, DSHS adopted the following overall performance goals for 1999-2000:

- increase the rate of placements from WorkFirst into unsubsidized jobs

- reduce the number of families who are dependent on public assistance
- increase the percentage of families who remain self-sufficient after leaving welfare
- increase incomes of families who are or were on welfare with the child support due from an absent parent
- improve the capability of adults who leave welfare for work to stay employed
- increase earnings of former welfare recipients.

Legislation provides DSHS with discretion to award bonuses to state offices, regions, and employees with the best outcomes. Goals are established by local area planning groups, but these goals must be in line with overall WorkFirst goals and are approved by the state office. This award system allows regions to develop measures that take local conditions into account. As elaborated later, there is undeniably tension created by the desire for local autonomy, the need to create an equitable system of services throughout the state, and differing levels of opportunity for education, training, and employment in each region.

As caseloads decline, implementing WorkFirst has become more difficult. Many WorkFirst participants who were most ready to work had already left the caseload by June 1998; the ability of the state to meet performance targets for further caseload reduction depends, at least in part, on effectively assisting individuals who are entering the job market for the first time.[5] TANF recipients who were not successful in getting and/or keeping jobs during a period of strong economic growth face significant barriers to work. Such barriers include low literacy levels, learning and other disabilities, domestic violence, substance abuse, and difficulties in finding child care and/or transportation.

Washington's target of 36,700 unsubsidized placements by the end of June 2000 will require 25 percent more placements than achieved in fiscal year 1999. Yet, an October 1999 state performance report found that the state's 15 percent rate of recidivism to TANF in 1998 was creeping upward. The state's target for 50 percent of former TANF recipients to increase their earnings by 10 percent in the first year after leaving TANF may also be in jeopardy. The October

1999 report showed a precipitous downward trend for this measure, with only 29 percent of former TANF recipients meeting this target at the beginning of fiscal 1998.[6]

Implementing the Case Management Model

Community Service Offices (CSOs), the local offices of the Department of Social and Health Services (DSHS) under this state-administered program, have moved toward a case management model, with individualized attention to clients. Prior to WorkFirst, clients who were determined to be eligible for cash assistance were referred to the JOBS program for job counseling at the Employment Security Department (ESD); minor parents and clients in situations of domestic violence or facing other particularly difficult issues were referred to social workers.

The case manager works with clients to identify strategies for work search and for addressing potential barriers to work, referring them to service providers when necessary for development of appropriate interventions. He or she is a broker of services, expected to evaluate, support, coach, monitor, network, and refer clients. The WorkFirst program design is highly individualized, and the case manager and client are to negotiate an individual responsibility plan (IRP), outlining the course of action the client will take toward getting a job.

WorkFirst prescribes the way clients should progress through the system. Clients enter the system through DSHS, where the DSHS case manager makes eligibility determinations for cash assistance, diversion programs, child care, and other support services and then refers them to ESD for Work Search. At ESD, clients participate in a thirty-hour job-readiness workshop, followed by a twelve-week job search. Individuals who are unsuccessful at job search are referred back to the DSHS case manager for further evaluation and revision of the IRP. The revised IRP will include plans for the client to participate in the Community Jobs program, on-the-job training, or other alternative work placements for twenty hours a week (these activities count as work participation) and may include plans for further education or some other type of training or support services.

All of these case management activities are to be facilitated by a new management information system (MIS) so that case managers and job service specialists can better track clients. Delays in activating the system, however, have frequently created more work for case managers.

Case Manager Training

The success of WorkFirst rests heavily on the ability of DSHS and ESD front-line service deliverers to work with individual clients, service providers, employers and other stakeholders, and each other. For the DSHS case manager, training, appropriate screening tools for client barriers to employment, and up-to-date computers and MIS tools are key elements. In addition, case managers need training in appropriate use of discretion in applying sanctions and in providing exemptions and deferrals for clients in particularly difficult circumstances. For the ESD job service specialist, developing the capacity to work with a broad range of employers and to match clients appropriately to entry-level jobs and then to jobs paying a living wage are essential to meeting the longer-term goals of WorkFirst. That many high-wage jobs in the construction and other sectors are going unfilled points to the need to create better links with a broader range of employers.

The WorkFirst model provides considerable discretion to the new DSHS case manager and opportunities to use creative problem solving skills. The adjustment, however, to case manager from financial eligibility worker has been difficult for many. Individuals who worked in a world of well-defined rules and regulations for income maintenance eligibility have entered the uncharted territory of guiding clients toward self-sufficiency with few tools, little training, and a sparse set of regulations providing guidance. At the same time, they have continued to carry caseloads of 120 to 150 clients. Consistent with the WorkFirst philosophy that emphasizes work experience over training, during the earliest days of the WorkFirst program, DSHS managers took the position that their case managers could learn to handle their new responsibilities by doing the job. Indeed, agency leaders were learning the complexities of implementing the WorkFirst model at the same time as front-line workers.

Staff training — getting the majority of case managers to the point where they can serve clients at a high level — is a common challenge across the states.[7] In an effort to improve training, DSHS has joined with other WorkFirst service providers to look at the CSO of the future. The mission of this interagency team is to define the role of the case manager more clearly and to identify what is required of the case manager and the CSO to help clients reach self-sufficiency. This team is exploring issues related to training, staffing of cases, brokering of services, and developing a system for peer review, technical assistance, and monitoring.

Specific efforts to improve case manager training include creation of a handbook for case managers and improved MIS training. The handbook addresses common problems, provides case scenarios, and walks case managers through processes such as completing the individual responsibility plan with clients, letting clients know about the availability of post-employment services, and using screening tools for domestic violence and other potential barriers to work. The handbook also helps case managers connect clients with various services, such as child care for special needs children.

There also has been some attempt to reframe the primary message of case manager training, moving from an almost exclusive focus on getting clients into work as soon as possible to determining a strategy for job retention and wage progression following initial job placement. Some observers believe, however, in spite of training, that these more complex program elements tend to be ignored by case managers.

Turnover of case managers in some offices has been particularly high, and most recent hires have as little experience as their immediate predecessors in the position. Turnover rates in some CSOs have been as high as 50 percent; training is an ongoing challenge. As individual Community Service Offices have a great deal of discretion in how they organize their work, it is difficult to provide generic training for case managers. Regional offices are increasingly involved in developing or contracting out targeted training for their case managers.

To be sure, some new case managers have taken to their new roles quite well, helping clients find appropriate jobs and developing creative ways to address barriers to self-sufficiency. In a Seattle Community Service Office, for example, a client with limited

proficiency in English was unable to pass an electrician's certification exam. His case manager suggested that he study the exam in his native language. The client did, was subsequently able to pass the English language version, and found an electrician's job paying $20 per hour.

This example illustrates the positive side of the WorkFirst program, that is, how front-line service deliverers with greater discretion can work to the advantage of both client and bureaucrat. However, advocates for welfare and other low-income clients have expressed concerns that client access to assistance and support services depends on assignment to a knowledgeable case manager. Moreover, access to services is uneven, and sanctions, deferrals, and exemptions for clients are not consistent.

While the basic role of social workers has not changed under WorkFirst, demands for their skills, particularly among hard-to-serve clients, have intensified. Social workers have exclusive jurisdiction over minor parents, child care authorization, issues of domestic violence, and other particularly difficult issues. Most recently, DSHS is involving social workers in team efforts — along with case managers and other WorkFirst partners — to provide intensive case management for clients in long-term sanction status (i.e., clients who have been in sanction for more than three months). Consequently, the relationships between case managers in some Community Service Offices and social workers are closer than in the past.

Screening for Client Barriers

As clients enter the WorkFirst system, they are interviewed regarding their child care and transportation needs and barriers to work. They are then launched into Work Search. The state, under the federal Murray-Wellstone-Landrieu Act, is required to screen for domestic violence, and case managers have received training to implement the screen. The state is not monitoring whether and how well the screen is actually being implemented, however. The state also has a validated tool to screen for learning disabilities (a state demonstration project under the AFDC program identified more than 35 percent of clients as having learning disabilities, often previously undiagnosed) but has provided training for only a few case managers to implement it. As the decision to use the learning

disabilities screen is at the discretion of individual Community Service Offices, whether a client is identified as learning disabled is dependent upon individual CSOs.

In the absence of active case manager screening and intervention, the job market serves as the initial screen for client barriers. The result is that some individuals fail to get jobs, some will get jobs but will not be able to retain them, and others will manage to get and keep jobs in spite of barriers to work but may be stymied in efforts to move up. The current approach, not unexpectedly, has led to dissatisfaction among some employers who expect all new hires to be job ready.

Discretion, Sanctions, and the Erosion of the Appeals Process

The rules and regulations for the WorkFirst program are considerably more streamlined than under AFDC (twelve pages under the Washington Administrative Code [WAC], fifty-four under AFDC). A major goal of such streamlining is to allow service deliverers greater flexibility and creativity. However, case managers, supervisors, and advocates interviewed during the early stages of program implementation expressed uneasiness with the pared down guidelines. Advocates, concerned that the guidelines are much too vague, cited particular concerns with how case managers have used their discretion to allow clients to defer — or not to defer — work participation requirements. For example, some case managers did not allow clients with disabled children, or grandparents who are taking care of children, to defer work participation requirements. Although discretion may be considered an opportunity to give more flexibility and authority at the local level — one of the goals of the devolution process — it can lead to inequity, inappropriate decisions from inexperienced and untrained workers, and prejudice toward individuals who may for one reason or another have alienated a case manager. The result of simplification, according to one advocate, is that the rules say nothing, and advocates are finding it difficult to guide clients as to what they are or are not allowed to do under the new WAC provisions.

Rules regarding client work participation and what counted as noncompliance were much clearer under AFDC. For example,

state could reduce an AFDC client's benefits for failure to participate in work or other required activities but could not terminate benefits on the basis of sanctions (or time limits).[8] In Washington State, clients had several opportunities for appeals and fair hearings before sanctions were enforced. Under the WorkFirst program, clients receive a ten-day notification letter of sanction prior to enforcement. The handbook for case managers, described above, is expected to provide more guidance on how to handle a variety of client situations and circumstances. Clients, however, may still have difficulty in appealing particular case manager decisions based on the pared-down WAC provisions.

There have also been problems in notifying clients of sanctions. Letters are generated by the Automated Client Eligibility System (ACES). In some cases, sanction letters were issued when client files had not been routinely updated. In other cases, ACES did not produce the letters in a timely fashion or in the appropriate language. Sanction letters present particular problems for clients who cannot read or understand the reasons for the sanctioning.

During the initial phases of the WorkFirst program, sanctions were not widely applied, but the sanction rate increased steadily over the course of 1998. Concerned that sanctions are being applied unevenly across Community Service Offices, both advocates and state officials have been looking at data regarding who has been sanctioned; they are paying close attention to the race, language spoken, gender, and age characteristics. According to a March 1999 study of sanction rates, those in longer-term sanction (more than three months) were more likely to be male, white, less well-educated (i.e., without a high school diploma or GED), and to have only one child.[9]

In the course of gathering data on sanction rates, state administrators learned that none of the regions had uniform operational procedures for reviewing long-term sanction cases. New policies and procedures were developed to address these cases, establishing intensive case management teams of social workers and others.

Despite information in the sanction letters about the fair hearing process, the number of requests for appeals has declined under WorkFirst. The explanation may rest in diminished countervailing pressure to the current sanctioning process, a function both of

funding cuts to legal advocacy services and a program design that allows very broad discretion to case managers.

The State's High Rate of Food Insecurity

In late 1998, the federal government penalized Washington for errors in determination of Food Stamp eligibility. Nearly a year later, a U. S. Department of Agriculture (USDA) survey placed Washington the eighth worst among the states for feeding low-income families and individuals. According to the USDA report, between 1996 and 1998, 12 percent of Washington households reported that their families were hungry or at risk of going hungry.[10] Anecdotal evidence points to the failure of case workers to communicate to clients that Food Stamps are not subject to a five-year time limit (as are other welfare benefits) and a complex eligibility and verification process for Food Stamps as being partly responsible. Pressure to reduce the error rate, as the *Seattle Post-Intelligencer* put it, "contributed to the creation of an increasingly unfriendly bureaucracy that discourages needy people from applying for and continuing to use food stamps."[11]

Providing Quality Child Care

Governor Locke and state legislators have consistently emphasized the importance of child care to the success of welfare reform. The Republican senate and evenly split house increased state funding for child care in the 1997-99 period by 41 percent over the prior biennium, to $123 million; child care allocations in the 1999-01 budget continue at this high level.

Following the initial increase, the state extended the program to provide child care assistance to families at or below 175 percent of the poverty level for an unlimited period. Child care, under prior programs, had been available to families for only one year after leaving the welfare rolls. The state has also attempted to address the quality and quantity of child care. It has increased provider rates and decreased co-payments for parents and has used unspent welfare funds to boost staff wages at child care centers submitting quality improvement applications. In the last year, the state has added a

premium for providers who care for children between six p.m. and seven a.m. or on weekends.

The number of families taking advantage of child care subsidies has grown slightly. According to exit surveys of families exiting TANF between December 1997 and March 1998, conducted by the DSHS Economic Services Administration in July 1998 and September 1999, only 31 percent of families with children under thirteen were using DSHS child care subsidies; that proportion increased to 38 percent of working families who exited TANF in October 1998.[12] Those not using the child care subsidies noted they either had free alternative care, or their children attended school during the hours the client was working or training. No respondents indicated barriers to use of the child care subsidies from transportation, the child's medical condition or age, or finding a provider who would accept DSHS reimbursement. One interpretation of this result is that clients who faced difficulty in finding child care were unable to leave TANF and were therefore not included in the survey. The September 1999 exit survey found that 59 percent of working families still on TANF took advantage of child care subsidies. More than one-third of these families stated that they also had other free child care available.[13]

Since July 1999, parents of children three months and older are required to participate under WorkFirst; prior to that time, parents of children one year and older were affected. DSHS responded to this July 1999 requirement by creating options for women of children between three months and one year, as well as for pregnant women, to attend classes. The Pregnancy to Employment program classes include activities ranging from medical treatment to parenting classes, job search, or employment.

Job Retention and Wage Progression

Governor Gary Locke has stressed the importance of job retention and wage progression for both TANF recipients and the working poor since the start of WorkFirst. Strategies for job retention and wage progression are closely linked; targeted to persons employed at least part time, they focus on vocationally based education and preemployment training programs. Washington has established ambitious targets for job retention, wage progression, and reduced

recidivism linked to these strategies. However, these strategies are not linked to an overall economic development strategy. In fact, the state has not yet adopted an explicit economic development strategy, nor has the state defined a living wage. This is a notable deficiency in a program heavily geared toward meeting goals and targeting specific outcomes.

While internal and external WorkFirst materials have from the outset typically included the slogan "A Job ... A Better Job ... A Career," activities to promote career and wage progression were not developed until the second year. Pressure to redesign and implement the WorkFirst program left little time initially for these longer-term goals. As a result, according to some observers, case managers adjusted very well to the message that work is the most important goal of WorkFirst but did not receive the more subtle message about developing strategies for increasing wages and job stability.

Community colleges have redesigned training programs targeted to WorkFirst clients to focus on specific vocational skills and to meet the program's abbreviated time frames. For example, the Career Ladder program, mounted in a handful of community colleges clustered around the Seattle area and in Walla Walla, works with employers in targeted industries, creating career paths between firms. These programs simulate the work situation closely and even offer training during nighttime hours (and provide child care) so that students become accustomed to swing-shift work. The Families that Work program, targeted to families with children of all ages, provides classes on parenting, as well as job skills (the Pregnancy to Employment program mentioned above follows the model of Families that Work). WorkFirst partners also provide a variety of wrap-around, post-employment services designed to help clients stay in their current jobs. The shape and content of these programs vary by site, and, while some very strong models are emerging, the availability of services is uneven from region to region.

Re-employ Washington Workers, one of the state's newer programs, is aimed at reducing rates of recidivism to public assistance. Under this optional program, former TANF participants and other low-income individuals who lose their jobs and qualify for unemployment insurance are provided with special incentives for rapid reemployment. ESD provides intensive job search support and offers cash bonuses for individuals who reenter the workforce

quickly. For example, individuals who find a higher-paying job within one month receive a bonus of $300; individuals who find a job within one month, but not at a higher wage, receive a bonus of $200; and individuals who find a job within six weeks receive a $100 bonus.

Job Retention

Washington State has defined job retention as holding a job for one year; the state target for the end of fiscal year 2000 is 60 percent of all former TANF recipients earning at least $2,500 per quarter for four consecutive quarters after exiting TANF. A second goal is to reduce the percentage of families who return to TANF after twelve months to 12 percent by June 2000. These ambitious targets for job retention and wage progression are intended to spur increased performance from implementing agencies.[14]

Given the newness of the various education and training programs and the barriers to employment of harder-to-serve TANF recipients, the targets may not be realistic. According to state performance reports, job retention between the fourth quarter of fiscal 1997 and the second quarter of fiscal 1998 fell steadily from a high of 60 percent to 48 percent. Between September 1997 and June 1998, the percentage of families returning to TANF held steady at a rate of 15 or 16 percent per month, then crept up to 17 and 18 percent between July and September 1998.[15]

Wage Progression

The governor has asserted that specific wage progression goals for WorkFirst clients is a serious policy priority. The state target is that 50 percent of TANF current and former participants increase wages by 10 percent within the first year of work. This target was derived from research indicating that Washington's workers in 1997-98 averaged a 5 percent increase in wages in one year of work.[16] For low-income workers, it was assumed that wages would increase more quickly, and the state therefore doubled the target to 10 percent for TANF participants. Data covering the period from the first quarter of fiscal 1996 and the first quarter of fiscal 1998 indicate that between 36 and 44 percent of TANF exiters were able to reach this goal.[17]

The state has not defined a living wage. For example, a 10 percent increase in hourly wages will not enable a minimum wage earner to move the family much beyond the federal poverty level (FPL). A single parent with two children working forty hours a week for fifty weeks a year at an hourly rate of $7.15 (10 percent above Washington's minimum wage of $6.50 per hour[18]) will earn a gross income of $14,300. This is $1,370 above the 1997 poverty threshold of $12,931 for this family. The problem is that a single parent in this situation is unlikely to participate in education and training programs aimed at getting a better, higher-paying job. The high cost of living and lack of affordable housing, particularly in the Seattle area, provide additional challenges for low-income families. Washington State's ranking by the U.S. Department of Agriculture as the eighth worst state in the nation for feeding low-income families and individuals (with 12 percent of Washington households reporting their families are, or are at risk of going, hungry) points to a critical need to define a living wage.[19]

Such a definition would not only provide greater substance to the goal of family self-sufficiency but would also help the state to shape a more thoughtful economic development strategy that targets high-wage industries and creates education and training programs to prepare workers for these industries. Thus, job retention and wage progression goals are closely related to economic development.

Workforce and Economic Development Strategies

While Washington State has focused primarily on general business recruitment and tax incentives, especially to high-tech and bio-tech sectors, there has been little attention to targeting other industries with living wage jobs. Nor has the state developed an integrated strategy linking workforce development with economic development policies. Currently, workforce development, job retention and wage progression, and economic development — including business development and recruitment strategies — are approached as separate issues, in spite of the fact that there is real overlap among these initiatives.

All states, under the federal Workforce Investment Act (WIA) of 1998, must include strategies to link economic and workforce development in their plans. As has been the case with welfare reform,

key state agencies will be required to work cooperatively in order to meet the legislative intent outlined in WIA. The Workforce Training and Education Coordinating Board has the lead role in working with its own members (including the director of the State Board for Community and Technical Colleges and Employment Security), the secretary of DSHS, and the director of the Department of Community Trade and Economic Development to oversee the coordination of these state agency efforts. At the local level, the newly forming workforce investment boards must be connected to state strategies and work with their local economic development councils and other business and labor groups to develop consistent policies. The Governor's Council of Economic Advisors might also play a strategic role in economic development policy related to welfare.

Current economic good times provide the state with opportunities not only to make strategic links between agencies responsible for economic and workforce development but also to make strategic public investments that will produce good, family-wage jobs. The experience of states such as North Carolina has strongly indicated that long-term economic development strategies focusing on public investment in education and workforce development have paid off in economic vitality.[20]

Allowing Regional Flexibility

Poverty and unemployment rates, labor markets, and client barriers to employment vary among Washington's regions. The challenge is to allow localities and regions flexibility to deal with these issues within a statewide context that ensures consistency of services among local Community Service Offices.

Poverty and Unemployment

Poverty in Washington State, as measured by AFDC participation, is primarily a rural phenomenon. A 1992 report, "Poverty in Washington," issued by the Washington State Institute for Public Policy, showed 1990 poverty rates of between 20.1 and 24.2 percent in seven rural eastern Washington counties and between 12.1 and 20 percent in eleven rural eastern Washington counties and throughout much of the rural Olympic Peninsula in western Washington.

The mostly urban King and Snohomish counties showed poverty rates of less than 9 percent. It is important to note that because AFDC participation rates are used as the primary indication of the extent of poverty, there is little attention paid to the growing number of people who are defined as the working poor in all areas of the state.

Poverty, however, is not confined to rural areas. In fact, despite strong economic growth in the Puget Sound area and along the Interstate-5 corridor, there continue to be major pockets of poverty in urban areas equivalent to those in rural areas. Several neighborhoods in Seattle and Tacoma have been designated Federal Enterprise Communities and/or Neighborhood Revitalization Strategy Areas. According to 1990 data (most recent available), in these communities unemployment ranges between 10 and 20 percent, persons living below the federal poverty level ranges from 20 to 70 percent, and over 50 percent of households are considered low or very low income. Many residents in these urban communities face such obstacles to employment as inadequate education, limited access to transportation, language barriers, and insufficient child care; these obstacles are daunting, given the flight of jobs and employment opportunities into suburban areas.

Planning and Program Discretion

These geographic variations in poverty and unemployment rates were taken into account in the 1997 WorkFirst legislation, which emphasizes local flexibility and regional planning to incorporate labor market and client barrier issues in rural communities and urban areas with concentrated poverty. The required regional plans are to be developed with input from "employers, recipients, front line workers, educational institutions, labor, private industry councils, the Workforce Training and Education Coordinating Board, community rehabilitation employment programs, employment and training agencies, local governments, Employment Security Department and community action agencies to develop work programs that are effective and work in their communities."

Because welfare has always been a state function in Washington, counties and cities had little prior experience implementing human service programs. Seattle and King counties are the exceptions, having already assumed a number of human service responsibilities

using their own general revenue funds, such as the Seattle and King County Jobs Initiative programs and the Welfare-to-Work (WtW) program of the U.S. Department of Labor. The Seattle and King County programs are geared toward linking short-term job training for low-income residents with employer needs and job opportunities in growth industries; the WtW programs aim to provide services for more difficult-to-employ populations. After some negotiation with the governor's office in the early days of the WorkFirst program, Private Industry Council directors around the state agreed to conform WtW programs to WorkFirst goals, as did King County Executive Ronald Sims and Seattle Mayor Norman Rice, for local Jobs Initiatives. State requirements that programs serving TANF clients conform to the philosophy of work first — setting narrow parameters for programs that offer short-term training prior to employment — have come in conflict with the goal of local flexibility. The balance between state control and local discretion may change over time, requiring the state to limit program control to setting guidelines and providing technical assistance.

DSHS's Community Service Offices have also been allowed considerable leeway as to types of services provided. The discretion extends, for example, to whether they will implement the state's screen for learning disabilities. The result is considerable variation — and little equity — in many basic services. Some observers suggest that stronger state standards and guidelines would help.

Monitoring to Ensure Protection of Client Rights

WorkFirst administrators, as required by legislation, develop benchmarks to track program outcomes, including caseload reduction, recidivism to caseload after two years, job retention, earnings, reduction in the average grant through increased recipient earnings, and placement of recipients into private sector, unsubsidized jobs. Less attention has been paid to issues of program monitoring.

Advocates of client rights under WorkFirst, as has been noted above, have been concerned with the inflexibility of some case managers regarding exemptions or deferrals for clients in particularly difficult circumstances. The state has begun to pay closer attention to such indicators. Careful monitoring is essential to ensure

protection of client rights in a program centered on case manager discretion, with the very strong potential for inconsistent levying of sanctions and loss of benefits, as well as inconsistent allowances for exemptions and deferrals. Findings of a DHS study on how sanctions have been applied, conducted in spring 1999, led to a more intensive review by a team of social workers and other specialists of families in long-term sanction.

Conclusion

In the nearly three years since enactment of Washington State's WorkFirst legislation, implementing agencies have made impressive progress in developing new programs and meeting caseload reduction goals. As caseload levels decline, WorkFirst service deliverers face a more challenging population with multiple barriers to employment and self-sufficiency. Effectively addressing the needs of these clients will require:

- development of thoughtful performance measures that provide effective performance incentives to reinforce the longer-term, more complex goals of reduced recidivism, job retention, wage progression, and family self-sufficiency
- more and better training for case managers, use of appropriate tools to screen for client barriers to employment, up-to-date computers with management information system tools, and clear rules and regulations regarding application of sanctions, deferrals, and exemptions
- addressing the state's high rate of food insecurity
- matching parents' child care wants and needs with appropriate providers
- stronger leadership and commitment to better linkage of related job retention and wage progression, economic development and workforce initiatives, and specific targets for living wage jobs
- greater flexibility for regions to reflect and address labor market and client barrier issues unique to rural and ur-

ban communities, balanced by state-level technical assistance and guidelines to ensure consistency of service among local community service offices

- monitoring the application of sanctions and of allowances for exemptions and deferrals for clients with particularly difficult circumstances to ensure protection of client rights.

These are the difficult challenges to be met if WorkFirst is to succeed in moving individuals, not only off the welfare rolls, but out of poverty.

Notes

1 "Archbishop right," *Seattle Post-Intelligencer*, 17 February 1996.

2 Washington WorkFirst Temporary Assistance to Needy Families (TANF) Act (Engrossed House Bill 3901), Section 1.

3 WorkFirst legislation also includes goals for increased child support collections for TANF cases, which are addressed in this paper.

4 Ken Miller, Washington State Office of Financial Management, "WorkFirst Performance Report," 1998 Report No. 5, December 14, 1998.

5 Washington State Office of Financial Management, "WorkFirst Performance Report: Preliminary," September 4, 1998.

6 Washington State Office of Financial Management, "WorkFirst Performance Report: Fiscal Year 2000," 2000 Report No. 3, October 22, 1999.

7 U.S. General Accounting Office, Report to the Ranking Minority Member, Committee on Finance, U.S. Senate, "Welfare Reform: States' Early Experiences With Benefit Termination," May 1998, p. 4. GAO/HEHS-97-74.

8 U.S. GAO, pp. 2-3.

9 Department of Social and Health Services Economic Services Administration, Office of Planning and Research, "WorkFirst Clients in Longer-Term Sanction Status," March 1999.

10 U.S. Department of Agriculture, "Measuring Food Security in the United States: Prevalence of Food Insecurity and Hunger, by State, 1996-1998, (FANRR-2)."

11 Heath Foster, "Booming State Failing the Hungry," *Seattle Post-Intelligencer*, 14 October 1999, pp. A1 and A14.

12 DSHS Economic Services Administration, Office of Planning and Research, "Major Findings from Surveys of Washington's TANF Exiters and Current Recipients," July 1998.

13 DSHS Economic Services Administration, Office of Planning and Research, "Major Findings from Surveys of Washington's TANF Exiters and Current Recipients, 1998-1999," September 1999. It is important to note that the July 1998 survey included results for only 77 families in rural areas, as compared to a sample of 473 ur-

ban respondents, and was conducted as a telephone survey and therefore did not include families without telephone access.

14 Self-sufficiency is defined for families as no longer receiving TANF grants.

15 Prior to WorkFirst, over 20 percent of families returned to assistance after 12 months.

16 Russell Lidman, Employment Security Department, telephone conversation, 27 October 1999.

17 Ken Miller, Washington State Office of Financial Management, "WorkFirst Performance Report Fiscal Year 2000" 2000 Report No. 3, October 22, 1999.

18 Minimum wage as of January 1, 2000.

19 U.S. Department of Agriculture, "Measuring Food Security in the United States: Prevalence of Food Insecurity and Hunger, by State, 1996-1998, (FANRR-2)."

20 David Levy, executive editor, "The Symposium Goes Cyber," *Economic War Among the States*, Federal Reserve Bank of Minneapolis, 10, (June 2, 1996): 16-17.

Chapter 6

Wisconsin Works

Thomas Kaplan

Wisconsin's welfare reform program, Wisconsin Works (W-2), is among the most aggressive of state efforts to "end welfare as we knew it" and replace it with cash assistance available only through work or work-like activities. Wisconsin Governor Tommy Thompson has asserted on many occasions that "Ours was the first welfare-to-work program in the nation and it remains a model for other states to follow." The W-2 program has several unusual features, some of which present special management challenges; its statewide popularity and unanticipated financial surpluses helped ease early implementation difficulties.

The W-2 program began operating in September 1997, when new applicants for public assistance became subject to its requirements. Program staff converted ongoing Aid to Families with Dependent Children (AFDC) cases to W-2 over the next seven months. Under the new program, parents are assigned to a Financial and Employment Planner (FEP), who places them on one of four levels of a "self-sufficiency ladder" and encourages them to move up the ladder to greater independence. As indicated in Table 1, W-2 participants in the two lower tiers technically receive a monthly grant, which drops by $5.15 for each hour of failure to participate in assigned activities without good cause. Participants in the two upper tiers receive an hourly wage paid by an employer.

This chapter is substantially the same as Chapter 4 in Carol S. Weissert, *Learning From Leaders: Welfare Reform Politics and Policy in Five Midwestern States* (Albany: Rockefeller Institute Press, 2000).

Table 1
Key Provisions of W-2

	Level of W-2			
	Unsubsidized Employment	*Trial Job*	*Community Service Job*	*W-2 Transition*
Basic Income Package	Market wage + Food Stamps + EITC	At least minimum wage + Food Stamps + EITC	$673 per mo. + Food Stamps (no EITC)	$628 per mo. + Food Stamps (no EITC)
Time Required of Recipients	40 hrs/wk standard	40 hrs/wk standard	30 hrs/wk standard and up to 10 hrs/wk in education and training	28 hrs/wk, activities standard and up to 12 hrs/wk in education and training
Time Limits	None	Per job: 3 month with an option for one 3 mo. extension; total 24 mo.	Per job: 6 month with an option for one 3 mo. extension; total 24 mo.	24 mo. limit, but extensions permitted on a case-by-case basis
Estimated Child Care Co-pays($/mo):				
Licensed Care	$101-$134	$55	$38	$38
Certified Care	$71-$92	$38	$25	$25

Notes: W-2 pays a maximum $300 per month to the employer for a trial job. The trial job position is assumed to pay minimum wage ($5.15 per hour, or $858 per month), and the pay for unsubsidized employment is assumed to range from $6 to $7 per hour, or $1,000 to $1,170 per month. Estimated child care co-payments are for a three-person family with two children in child care and receiving no child support payments.
Sources: K. F. Folk, "Welfare Reform under Construction: Wisconsin Works (W-2)," *Focus 18*:1 (special issue, 1996): 55-57 and presentation materials created by the Wisconsin Department of Workforce Development.

Special Features of W-2

At least five features of W-2 appear to be unusual and, in some cases, unique among state Temporary Assistance for Needy Families (TANF) programs:

- *Promptness of financial penalties levied against program participants.* Except for participants with a child younger than twelve weeks, assigned activities begin immediately under W-2, and failure to participate as assigned can result in immediate financial penalties. Other states also have participation requirements and penalties for failure to meet them, but most allow a grace period of at least two months after program entry before reductions in cash assistance start.

- *Minimal emphasis on social contract language.* In many TANF programs, the state and public assistance recipients agree on reciprocal obligations — the state to make opportunities available and recipients to pursue those opportunities. The difference between W-2 and other programs in this regard is subtle but meaningful. W-2 certainly provides help to program participants, especially with child care and health care and with job search strategies. Moreover, financial and employment planners are required to develop an employability plan in consultation with the participant and can excuse participants from work requirements if child care is unavailable. Unlike case managers in many states, however, FEPs in Wisconsin have complete discretion to determine whether child care is available and full authority to decide whether a participant must find an unsubsidized job. The central focus of W-2 is the participant's obligation to follow the employability plan or, if considered ready for one, to secure an unsubsidized job. The state (or the W-2 agency) does not bear the primary responsibility for finding jobs for participants or for training them for emerging opportunities.

- *Full pass-through of all child support paid on behalf of W-2 participants.* With the exception of up to 4,000 families included in a control group for evaluation purposes, W-2 families keep all child support paid on their behalf. This marks a change from the policy that existed under AFDC, whereby a family could keep only $50 per month of child support paid on the family's behalf and any additional child support reimbursed the state and federal governments for their AFDC expenditures. Wisconsin is the only state that has chosen to pass through

all child support to the resident parent. In fact, thirty states plus the District of Columbia have used their new flexibility under TANF to move in the opposite direction, with the government retaining all child support paid on behalf of a TANF family.[1]

- *Centrality of work.* Wisconsin, more than many states, has emphasized the centrality of work from the first contact of participants or potential participants with the public assistance system. In every Wisconsin county, potential participants in W-2 or Food Stamps go to job centers, not welfare offices. Most job centers also serve workers who are not welfare participants, providing general labor exchange and unemployment insurance services, as well as basic training for job seekers and short-term child care services for the children of "customers" using the center. The work motif is similarly apparent in the structure of assistance programs, which are designed to require beneficiaries to face conditions affecting low-income workers generally. The first W-2 grant check comes only after a period of work, those who receive public child care assistance must pay part of the costs of their benefits, and program participants receive all child support paid on behalf of their resident children.

- *Use of private agencies.* In sixty-three of Wisconsin's seventy-two counties, the agency operating W-2 is a unit of county government, typically the county social or human services department. In the other nine counties, W-2 is operated by private agencies under contract with the state. Since one of those nine counties is Milwaukee, where over 80 percent of the W-2 participants in the state are enrolled, W-2 administration is in a sense predominantly contracted to private agencies. Private W-2 agencies have the same responsibilities as public agencies for core W-2 services; these include determinations of eligibility for W-2, placement in one of the four program tiers, placement in a particular assignment within a tier, and decisions on financial penalties. Such public-private arrangements are unique. Under AFDC, private agencies often provided welfare-to-work services, but only public employees had access to the information used in determining eligibility and benefits and con-

trolled program benefits. Under TANF, according to a spokesperson for the U.S. Department of Health and Human Services, "nowhere else has a state delegated the administration of welfare to agencies other than governments."[2]

Background: The Rise of W-2

The roots of W-2 extend back at least to 1986, when Tommy Thompson was first elected governor of Wisconsin, and welfare reform emerged rather suddenly as a political issue in the state. Welfare had certainly been in the Wisconsin news in the years before 1986, but not for many years in the form of a direct challenge to either the legitimacy of an entitlement-based system or the state's comparatively high AFDC benefits (fifth in the nation in 1986). Welfare controversies of the earlier 1980s focused on whether Wisconsin's high benefits attracted immigrants from other states. Advocates, as well as detractors, realized that if AFDC benefits could be shown to induce people to move across state borders, the case might seem stronger that welfare affected other aspects of recipients' lives as well, such as their work or childbearing behaviors.

Still, the last direct challenge to welfare in the state had occurred in 1969; that challenge had not been kind to the political fortunes of conservative Republicans. In that year, partly in response to protest marches conducted primarily by African Americans in Milwaukee over open housing and partly in response to a fiscal shortfall, Wisconsin Republicans who controlled the powerful Joint Committee on Finance in the legislature proposed, during consideration of the 1969-71 budget, to limit the state's AFDC payment levels to 110 percent of the national average. The state's legislative budget office projected that this policy change would "result in about a $9 per person per month cut in the average money grant below the amount presently paid (from $54 to $45)," or a 17 percent benefit reduction.[3] The proposal proved controversial, stimulating complaints of "economic genocide" from welfare rights activists, a seventy-mile protest March on Madison from Milwaukee, and a well-publicized clash between protesters and riot police on the state capitol lawn that resulted in more than a dozen injuries and 21 arrests.[4] In the aftermath, Republicans in the state senate, who were less committed to the AFDC reduction than were their

colleagues in the more conservative assembly, negotiated a compromise limiting maximum benefits to 120 percent of the national average.

The Democratic party used the AFDC cuts of 1969 to its electoral advantage. A former legislator, who worked as a part-time legislative aide in 1970 and was first elected as a Democratic member of the state assembly from Milwaukee in 1972, recalled that a theme of Republican heartlessness and ignorance on welfare animated much of his party's recruitment of legislative candidates and successful strategies for the elections of 1970 and 1972.[5] In the 1970 election, for the first time since the 1930s, Democrats took control of the lower house of the legislature, a control they substantially augmented in 1972 and maintained until 1995. Democrats also captured the governorship and two additional seats in the state senate in 1970, progressing toward majority status in that house as well, a condition they achieved in 1974 for the first time in the history of the state.

The elections of the early 1970s, resulting in a Democratic majority for the first time ever, thus marked a watershed in state politics. Tommy Thompson, first elected to the state assembly in 1966 as a Republican and suddenly pushed into minority status (as vice chairperson of his caucus) in 1970, was hardly a disinterested observer. Judging by his subsequent behavior, Thompson may have drawn several lessons from the partisan shift:

- ❖ welfare issues can be a powerful force in elections
- ❖ proposals simply to cut benefits could hurt Republicans
- ❖ proposals for welfare reductions might enjoy greater political success if presented as a source of investment in job-based services and supports.

In any case, Thompson heeded these lessons when he sought election as governor in 1986. With welfare an important theme of that campaign, he emphasized repeatedly that the state's high AFDC benefit levels attracted migrants and that welfare imprisoned its participants in a cocoon of false security. A central feature of Thompson's 1986 campaign was a promise to reduce AFDC benefits, stop welfare-induced migration to the state, and use the savings to invest in job training and other services.

After his election, Governor Thompson moved quickly to reduce AFDC benefits by 6 percent and take advantage of liberalized federal waiver policies permitting deviation from federal AFDC rules, which first became available during the mid-1980s. The Thompson administration waiver proposals came in three groups. The first set, in the late 1980s, was dominated by the Learnfare proposal, one of the earliest attempts to condition full AFDC benefits on behavior (in this case, school attendance by teens) and provide counseling to teens who did not attend classes. The second group of waivers was implemented in 1992, during a period in which Governor Thompson enjoyed a close friendship with President George Bush, who was then encouraging states to try bolder welfare reforms. The most notable Wisconsin reform initiatives in this set of waiver proposals were the Two-Tier Benefit proposal (which gave AFDC recipients new to Wisconsin up to six months of assistance at the benefit level they would have received in their old state) and the Parental and Family Responsibility (PFR) initiative. PFR, dubbed "Bridefare" by its opponents, was an attempt to modify fertility and family-formation behavior among teens and improve their economic well-being. The third set of Thompson's waiver proposals came under the Clinton administration. The most notable of this set was a two-county (Fond du Lac and Pierce) demonstration program called Work Not Welfare (WNW), which introduced strict work requirements and a two-year time limit on benefits and sought to change the mission of welfare offices from distributing checks to promoting work and independence.

Wisconsin Democrats, the majority in both houses of the state legislature, stimulated Thompson to develop the still bolder W-2 proposal. In response to Thompson's Work Not Welfare initiative of 1993 — widely viewed when submitted as a waiver as the governor's attempt to beat President Bill Clinton to a time-limited welfare system — several Wisconsin Democrats claimed that WNW reflected mere tinkering with a welfare system that needed replacement, not reform. When WNW came before the state legislature for authorization, the Democrats accepted the governor's proposal but, in an amendment offered by an inner city Milwaukee legislator, added a requirement that AFDC must end in Wisconsin and be replaced by a wholly new system before December 31, 1998. The amendment stipulated that the replacement program had to ensure adequate child care and health care, guarantee income for those who could not work, and ensure jobs for people who could work but were unable to find employment. However, Governor

Thompson, employing his item veto authority, deleted these stipulations on the replacement program. The legislature failed to override the governor's veto, and the bill as enacted specified simply that AFDC must end and that the governor must propose a replacement for it by December 1, 1995. The governor did so in August 1995, proposing W-2 as the replacement for AFDC, and the legislature enacted the proposal the following March.

The Early Implementation of W-2

Welfare-to-work programs, in general, place heavy demands on program management, since administrators must move away from emphasizing a condition (eligibility or ineligibility in a particular month for a particular level of AFDC benefits) to focusing on a process (progression through the stages of welfare to work). The unusual features of W-2 presented — and continue to present — even greater management challenges. The extensive use of private agencies in the program required the development of new contracting and oversight procedures and generated concerns over unexpected levels of agency profits. The promptness of financial penalties placed special responsibility in the hands of the FEPs; not only must they convey, in a friendly and supportive way, the importance of meeting program obligations, they must also determine whether to invoke penalties in particular cases or grant exemptions for good cause.

The W-2 program started on September 1, 1997, the first date on which new applicants for public assistance were required to obtain their TANF assistance from W-2 agencies. Because federal regulations require that public employees determine eligibility for Food Stamps and Medicaid, new applicants for W-2 in Milwaukee and other counties in which the W-2 agency was not the public welfare department had to undergo review and processing by two agencies. To ease this process, Milwaukee County distributed its eligibility determination staff for the Food Stamp and Medicaid programs among the offices of the five private W-2 agencies in the county. Applicants were thus able to meet with FEPs and county eligibility staff in the same buildings, and most county staff joined small teams with FEPs sharing the same caseload. Co-location and teaming were important implementation innovations, although county economic security staff sometimes did not meet with applicants or process

their cases as quickly as either the applicants or W-2 agency staff wished.

The W-2 agencies had the last four months of 1997 and the first three months of 1998 to move existing AFDC cases to other programs. AFDC recipients wishing to transfer to W-2 had to come to the W-2 agency and request the transfer. Those who did not respond to letters and, in some cases, phone calls and visits to their homes, were dropped from AFDC by March 31, 1998. Not all the conversions from AFDC were to W-2, because Wisconsin had also used its AFDC program to provide assistance to families in which the adult was disabled and receiving Supplemental Security Income (SSI) or was not legally responsible for the children in the case. In these cases, the adult could not be required to work, and the families had to be moved to other programs: Kinship Care for those headed by "nonlegally responsible relatives" and Caretaker Supplement for those headed by SSI recipients.

The transition from W-2 to AFDC occurred in the context of a decade-long reduction in the number of AFDC cases in Wisconsin. As Figure 6, Chapter 1 indicates, AFDC caseloads in the state began a steady decline in 1988, avoided the national caseload increases of the early 1990s, and dropped sharply in the mid-1990s. By 1997, the AFDC caseload had fallen by 80 percent over the previous decade (from over 100,000 cases to about 22,000 cases). As Wisconsin officials developed final plans and budgets for W-2 agencies, TANF caseloads continued to fall faster in Wisconsin than planners had anticipated, dropping, for example, by 50 percent between December 1996 and December 1997.

A key result of this caseload trend was a surplus of resources. The Wisconsin legislature had appropriated funds for the W-2 program, and state administrators had allocated funds to W-2 agencies based on estimates of much higher caseloads. As a result, W-2 agencies could provide a high level of service to each W-2 participant without worrying about cost overruns, cash flow problems, or difficulties in meeting net revenue projections. The unexpected level of financial comfort eased the implementation process in the early months of W-2 and provided context for several issues in the very early stages of W-2 implementation.

Early Implementation Issues

Informal Limits on the Use of Unsubsidized Placements

Because financial employment planners (rather than the actual labor market experience of participants) determine whether participants are ready for unsubsidized jobs, and because W-2 agencies sign a contract that prospectively specifies the funding level they will receive from the state, a major concern of W-2 skeptics has been that agencies would seek to save money by assigning participants to unsubsidized placements too aggressively, whether they were able to find jobs or not. Participants assigned to unsubsidized jobs and unable to find them could then languish in the labor market with no income, the FEPs maintaining that the participants could find jobs if they tried harder or differently. In the first few months of W-2 operation in Milwaukee, the county legal services office heard complaints of just such practice, although the complaints seemed to decline subsequently. With their ample financial resources, Milwaukee agencies, on their own, developed informal limits on the length of time participants could be in the job market without a subsidy. Participants in the unsubsidized job tier who did not find jobs within a ten to twenty day period were generally transferred to the community service job tier while reasons for their lack of success in the labor market were evaluated.

Heavy Use of Community Service Job Placements

Placement in a community service job, especially among Milwaukee W-2 agencies, was at first almost a default assignment. Such jobs represented about 63 percent of all W-2 placements in Milwaukee as of April 30, 1998. This pattern stemmed in part from the requirement for rapid conversion of AFDC participants to W-2. Some Milwaukee W-2 agencies, in their rush to convert AFDC participants before the March 31 deadline, held three or four group sessions per day for thirty to forty AFDC recipients at a time. Participants filled out and signed their employability plans at these group sessions, and session leaders instructed them to select community service jobs as their preferred initial assignments.

Community service placements subsequently declined somewhat as a share of total placements but still represented over 59 percent of placements in Milwaukee in February 1999. Less than 1 percent of placements statewide in that month were in trial jobs; in general, employers seemed uninterested in utilizing this category, saying in focus groups and other settings that they preferred to hire regular employees who appeared qualified — and discharge those whose performance was deemed inadequate — than assume the additional paperwork and oversight associated with trial jobs. Assignments to W-2 transitions jobs were more frequent, accounting for 18 percent of placements statewide as of the end of February 1999; they seemed, however, to be used primarily for parents caring for a child with severe disabilities or for participants assigned to a Medicaid-funded, outpatient, mental health, or drug abuse treatment program. For participants without these characteristics who do not find an unsubsidized job, the only likely placement is to a community service job.[6]

Strong Emphasis on Time Limits

W-2 participants are generally limited to five years of cash benefits, the maximum period for which the federal government will support most participants under TANF, and to two years in any tier. Many W-2 agencies place heavy rhetorical emphasis on both the overall time limit and the limit of two years in community service jobs. Agency staff stress in interviews with participants that the economy is good, that most people can find unsubsidized jobs and should do so immediately, because a need for a community service job may arise if the economy deteriorates in the future.

Child Care: Low Use of Resources and Administrative Complexities

Substantial new resources for child care were incorporated into the W-2 program design. One of the more ambitious aspects of W-2, in fact, has been its effort to create a simpler, better funded, and more efficient system of child care assistance for families below 200 percent of the federal poverty line, consolidating five categorical programs, some with long waiting lists, into one program with one set of benefits and co-payments. In the legislation creating W-2, the

state nearly doubled, over a period of two years, the annual funds available for child care, increasing them from $90 million in 1996-97 to $155 million in 1997-98 and $177 million in 1998-99.

The new child care resources went largely unused. Seventy-seven thousand children were projected to be in state-supported child care in December 1997. The actual number was 19,500, which was less than the total actually served or on waiting lists twelve months previously. Wisconsin spent only $84 million of its budgeted $155 million in 1997-98 and $145 million of the budgeted $177 million in 1998-99. The general decline in W-2 caseloads may have been part of the reason for the low utilization, although child care assistance was not limited to W-2 employment participants. Lack of publicity and relatively high co-payment requirements may also have played a role.

Administrative slippage between W-2 agencies and the Milwaukee county social services department seems to have been an important contributing factor. Under W-2 policy, W-2 agencies are responsible for assessing eligibility for child care assistance and discussing co-payment obligations and the availability of potential providers with participants. County social service agencies, which, except in Milwaukee, are also the W-2 agency, are responsible for certifying child care providers, setting maximum reimbursement rates equal to the 75th percentile of the local market for most providers, and reimbursing the providers for care under the terms of their licensure or certification. Smooth links between the Milwaukee W-2 agencies and the county child care operation have proved hard to develop. Previous county audits and an investigative report by the state's largest newspaper, the *Milwaukee Journal Sentinel*, faulted the Milwaukee County social service agency for insufficient controls over child care. For example, the paper reported that Milwaukee County had in some cases reimbursed child care providers for more children than allowed under their licensure or certification and/or failed to check providers for criminal or child abuse backgrounds. In an effort to halt such problems, the county agency slowed both certification and reimbursement of child care providers. One result was that W-2 agencies sometimes directed participants to apparently licensed or certified providers, but when the county agency lagged in reimbursing them, these providers refused to continue care. In October 1998, the state allocated additional funding to Milwaukee County to hire more staff and accelerate certifications and reimbursements.

Increasing Use of Sanctions

Sanctions for missed W-2 transition and community service job (CSJ) hours were relatively rare in the first months of W-2. In the five months between September 1997 and January 1998, 738 sanctions were imposed. Jean Rogers, the chief state W-2 administrator, in a December 1997 memo, expressed concern that agencies were failing to promote full engagement among W-2 participants and urged greater use of sanctions by W-2 agencies, where appropriate. Since then, the number of sanctions for failure to participate has risen significantly, affecting between 26 and 29 percent of all cases in CSJ and W-2 transition assignments in July, August, and September 1998. In March 1999, W-2 agencies sanctioned 42 percent of community service and transition participants. The average penalty in that month was $372 (55 percent of the grant) for community service participants and $212 (34 percent of the grant) for those in W-2 transitions.

Such sanctions create obvious difficulties for affected families. Cases under full or partial sanction use a full month of their time limit, and sanctioned families have, on average, less than half the monthly income they would have without the sanction. Lawrence Mead, a political scientist at New York University who influenced the planning of W-2 and remains an advisor on program implementation and evaluation, argued in earlier studies that the best welfare-to-work programs achieved their results with limited use of sanctions. Effective programs, said Mead, "seek to be authoritative without being authoritarian. While they do penalize people who refuse to cooperate, they prefer to exert authority more informally. They give direction through a process of intense interaction with the clients that involves give and take. Relationships grow up among the clients as well as between them and the staff, and these ties become the real means of motivating work effort, transcending the more formal authority that initially brings people into the program."[7] It is not clear whether sanctions under the W-2 program are being levied on the same families repeatedly or if the sanctions draw families back into compliance after the initial grant reduction. Program managers may have some basis for arguing that heavy use of sanctions for a time is necessary to reinforce the seriousness of obligations. But if over 40 percent of participants continue to receive sanctions each month, W-2 could fail to meet perhaps its severest challenge — the exertion of an informal authority that encourages full participation among those most at risk of withdrawal in the face of the challenges that W-2 presents.

Surplus Resources

In its first year of operation, W-2 cost much less than projected. In 1997-98, expenditures for child care were $71 million less than anticipated, and expenditures by W-2 agencies, altogether, were about $98 million less than had been budgeted. The state keeps all the unspent child care funds and, through a formula contained in contracts with W-2 agencies, is likely to recapture from the agencies some $37 million of their underspending. The contracts stipulate that W-2 agencies may retain the remaining $61 million of underspending — $25 million for the agencies' unrestricted use and $36 million for "reinvestment in the community for services to low-income persons," subject to state approval. Many suggestions — from tax relief, to additional services for W-2 participants with drug abuse problems, to additional education for W-2 participants — have surfaced for the use of the surplus funds.

Some proposals for use of profits have been controversial; critics have argued that such large surpluses are unseemly, especially for private agencies and when coupled with high sanction rates. Responding to some of the criticism, the governor proposed in the 1999-2001 budget to limit overall profits and community reinvestments for each W-2 agency to 7 percent of its contract level. The state legislature then amended the budget bill to prevent private agencies from realizing profit of more than 3 percent of their initial contract level: any additional profits (up to the 7 percent allowed in the governor's proposal) would go instead to the county in which the private agency was operating. The governor vetoed this change from his original proposal. The new restrictions on agency profit do not seem to have deterred private agencies from wanting to participate in W-2; all the private agencies that participated in the first contract have agreed to continue through the second (2000-2001) contract period.

Staff Training

At the outset of W-2, Wisconsin established a series of training requirements for staff assuming positions as FEPs. For those with experience as county economic support specialists under AFDC or as staff in the JOBS program, the state required about twenty-two days (one work month) to make the transition to W-2. The training

emphasized fundamentals of case management; the use of CARES (the state public assistance information system); and W-2 policies, procedures, and case processing. Newly hired staff must complete a New Worker course covering these topics at greater length, and continuing staff must fulfill twelve hours of professional development annually.

Training W-2 workers is a large challenge. FEPs spend a major part of their day in face-to-face meetings with participants — either entering or retrieving data from the CARES, a complex system that demands significant training time. FEPs must also have extensive knowledge of W-2 requirements and policies, community resources, general welfare-to-work strategies, and specific approaches for more difficult cases. With all that FEPS have to learn, it is not surprising that, at least in the early months of W-2, some state W-2 policies escaped their attention.

The child support pass-through experiment provides an example. For the experiment to be a valid test of the new policy, FEPs must explain the child support policy applying to each participant; if participants do not know whether they are to receive a full or partial pass-through, the experiment could have no measurable impact. The following partial transcript of an interview conducted by two researchers in February 1998 with a Milwaukee FEP was reasonably representative of the status of FEP training on this topic:

FEP: (The CARES computer system) might tell us this person has been selected for the control group. But I never tell them that they have been selected because I really don't know. We don't have a screen that we can just look in there and it will show, that's what I'm saying.

INTERVIEWER: So you don't have a screen that tells you that?

FEP: I mean there might be a screen in there, but we're not familiar with it. But I just tell them to go forward (with obtaining as much child support as possible), you know. Every little bit helps.

INTERVIEWER: Do you talk about it at all with them, that some people are in this group and some are in this? Or do you just leave that to the child support staff?

FEP: I tell them that, you know, because sometimes they asked, "Are they going to get the full amount," or "Could they?" Because they, a lot of times clients hear from other people and everything, and I tell them, "Yeah, but I don't know what group you will fall up under." You know, I tell them, the only thing I could tell them is just, you know, "You'll be notified as to if you will get the whole amount opposed to part of it anyways." You know, because I can't tell them who will, because I don't know. But they, you know, I don't talk to them about it.

INTERVIEWER: How will they get notified? Do you know?

FEP: I have no idea.[8]

Given the myriad details of the W-2 initiative, the child support experiment may have seemed relatively minor to FEPs. In this interview, the FEP demonstrated an understanding of CARES that was wrong on one key point (there is, in fact, a CARES screen that would tell the FEP whether the participant was in the full or partial pass-through group). Still, the child support pass-through program is a small part of a large set of changes in policy and practice, and the error was understandable given the challenges of assimilating a large mass of new information. Overall, the investment in staff training has been modest relative to the complexity of the W-2 program.

Information Systems

Wisconsin's CARES system was originally designed primarily to determine AFDC eligibility and benefits. Information requirements in the W-2 program, which emphasize progression through program levels, are quite different from information requirements under AFDC, which focused on eligibility determination in a particular month for a particular level of benefits.[9] Thus, difficulty in adjusting CARES to the environment of W-2 was not unexpected.

Still, CARES offers significant advantages. One of its virtues for state managers is the large volume of data the system collects. Because CARES was designed to promote online, interactive

information-gathering in which economic support workers entered data as they asked families the questions needed to determine eligibility and benefits, and because this on-line, interactive characteristic continues under W-2, a great deal of information is entered into a central state database. Such continuity of central data accumulation did not happen automatically; in fact, the private W-2 agencies sought the flexibility to develop and maintain their own data systems without the overhead of a common state system. Yet, the state stood its ground, including in all agency contracts provisions requiring the use of CARES. It is theoretically possible to draw from the database information on how long people remain at various levels of W-2, the services that individuals receive, their number of months of remaining eligibility, the characteristics of people who are sanctioned, and much other useful information.

Nonetheless, CARES fails to collect some data that would be potentially useful for W-2 managers and evaluators, such as the particular unsubsidized jobs that participants obtain and the stability of their employment over an extended period. Data matches with the state unemployment insurance system can compensate for some, though by no means all, of these gaps. A more important problem is that some useful routine reports that the CARES system could provide are sometimes not available, owing to a lack of programming resources and the rush of new policies under W-2. Nine months after the initiation of W-2, decisions were still being made about what constituted a case in the data system, and literally dozens of useful routine reports remained to be programmed. CARES has more than 500 screens and is not easy to learn to use. Times of great change (such as during the transition to W-2) and the efforts of new workers tend to generate ad hoc data entry, making the information in CARES something of a challenge to interpret. Analysis of a weekly activity report in April 1999 suggests that individual agencies had different rules for workers to use in coding information in CARES. Staff in some W-2 agencies, for example, did not enter wage rates or hours of employment on CARES screens. Nevertheless, especially in comparison to some other states, the CARES system offers much useful data. Managers face the constant challenge of improving the routine reports available from CARES and maintaining its data richness, while also simplifying the system so that W-2 staff and agencies do not develop their own ad hoc simplifications.

Current Assessments of W-2

Evaluations of aspects of W-2 have become something of a cottage industry, with at least twenty under way, some state-sponsored, others not. Almost all the impact evaluations face the problem of lacking a clear counterfactual — that is, a knowledge of what the situation would have been had the new program not been created. Without such knowledge, measurements of the economic or social well-being of program participants or others may reflect the impact of broader social or economic change, not the new program.

Nevertheless, rough judgments of causation are still pursued. W-2 supporters have argued that the program is at least partly responsible for recent, desirable, large reductions in public assistance use. Others have questioned the desirability of the caseload drop. The executive director of the Milwaukee Health Care for the Homeless Project said in late 1998 that a recent cold spell had made shelter providers "keenly aware that there are more women with children in need of temporary shelter. We can only assume that that has happened because of W-2. It's the only unique variable that's happened this past year."[10]

W-2 has drawn much attention from national and international observers, but the program serves a varied caseload and generates multifaceted impacts, making summary judgments hard to develop. In separate stories, for example, The *New York Times* has described both the benefits to inner-city Milwaukee businesses of the higher paychecks some residents have obtained since W-2 and the "heightened concern" in Wisconsin over W-2 participants nearing the end of their time limits, a concern that the *Times* said "implicitly raises questions about the tens of thousands dropped from welfare before them without nearly as much thought."[11] In part because most components of W-2 were implemented without experimental counterfactuals, in part because the program has been in full operation little more than two years, and in part because the program impacts are multifaceted, judgments about Wisconsin's W-2 program as a model for welfare reform are premature.

Notes

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4 Bernice Buresh, "500 Take Welfare Coffin to Capitol," *Milwaukee Sentinel*, 28 April 1969, p. 1, part 1; Sentinel Madison Bureau, "Police, Protesters Clash at Capitol; 21 Arrested," *Milwaukee Sentinel*, 4 October 1969, p. 1, part 1.

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7 Lawrence Mead, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992), pp. 175-176.

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The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 presented challenges to all states to alter their welfare programs and management systems. This book analyzes the responses of five states — Florida, Mississippi, New York, Washington, and Wisconsin — to those challenges. The book features similarities as well as differences in their implementation of welfare reform, within the context of their distinctive historical, political, cultural, economic and demographic experiences.

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